Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis

third quarter 2012

Highlights for the third quarter of 2012

	3Q-12	change from 2Q-12	change from 3Q-11
Labor force	218,129 residents	▲	▲
Residents employed	205,086	▲	▲
Unemployment rate	6.0%	▲	▼
New residential permitted units	1,171 units	▲	▲
Permitted residential conversions, remodels and additions	171 buildings	▲	▲
	$ 33.6 million	▼	▲
Permitted non-residential conversions, remodels and additions	150 buildings	▲	▲
	$ 98.7 million	▼	▲
Residential units demolished	50 units	▲	▼
Rental vacancy rate	1.6 %	▼	▲
Average rent in inflation-adjusted dollars	$ 995	▼	▲
Residential units sold			
Traditional	1,053 units	▲	▲
Lender-mediated	400 units	▼	▼
Median sale price of residential units			
Traditional	$ 214,000	▲	▲
Lender-mediated	$ 99,900	▲	▲
Foreclosures	397	▼	▲
Condemned and vacant buildings	721	▼	▼
Minneapolis CBD office vacancy rate	16.2%	▼	▼
Minneapolis CBD retail vacancy rate	13.3%	—	—

Highlights for the first quarter of 2012 – Jobs and wages

	1Q-12	4Q-11	1Q-11
Number of jobs	291,668 employees	▲	▲
Wages in inflation-adjusted dollars	$ 1,319	▲	▲

City of Minneapolis
Department of Community Planning & Economic Development - CPED

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Minneapolis Trends

third quarter 2012

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Economic indicators

- Employment increased by 0.4 percent, while labor force increased at a higher rate of 0.9 percent, thus increasing the unemployment rate from 5.5 percent in the second quarter to 6.0 percent. In comparison with the same quarter last year, about 2,400 more city residents were working.
- As of first quarter 2012 there were 291,700 jobs in Minneapolis, about 1,000 (0.3 percent) more than the previous quarter, and about 10,200 more (3.6 percent) than the first quarter of the previous year. Over the same 12-month period, the metro and state also added jobs, but at a slower pace of 1.9 percent and 1.8 percent respectively. The city had about 99 percent of all jobs that it had in fourth quarter 2007, at the beginning of the recession, and also 99 percent of private jobs.
- Average real wages for first quarter 2012 were 1.6 percent higher than a year before. Real wages in the metro area and the state also increased but at a faster pace, by nearly 3 percent and 4 percent respectively.

Labor force

During the summer months of the 3rd quarter almost 2,000 more people (0.9 percent) joined the labor force, but only about 750 more residents (0.4 percent) were working. As a result, the unemployment rate increased from 5.5 percent in second quarter to 6 percent in the third quarter. This increase is mainly related to seasonal factors. Unemployment usually rises from June to August, and starts to decline again in September.

Similar trends were shown in the metro area where employment and labor force grew at similar rates as in Minneapolis, resulting in an unemployment rate of 5.7 percent, 0.3 percent lower than the city.

In comparison with the third quarter last year, about 2,400 more city residents were working and about more 17,700 metro residents were working. Labor force increased at a slow rate. The unemployment rate decreased 0.7 percent in the city and 0.8 percent in the metro area.

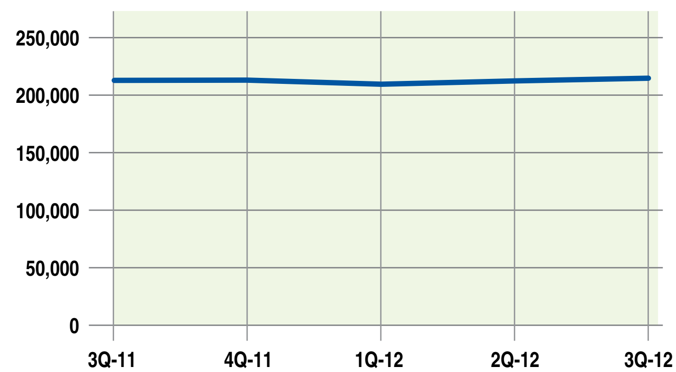
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis					
Labor Force	217,287	216,639	212,979	216,175	218,129
Employment	202,731	204,576	201,016	204,338	205,086
Unemployment rate	6.7%	5.6%	5.6%	5.5%	6.0%
Metro area					
Labor Force	1,625,265	1,621,258	1,601,648	1,619,305	1,630,967
Employment	1,521,018	1,534,865	1,508,153	1,533,079	1,538,686
Unemployment rate	6.4%	5.3%	5.8%	5.3%	5.7%

Source: Minnesota Department of Employment and Economic Development (DEED) – Labor Market Information

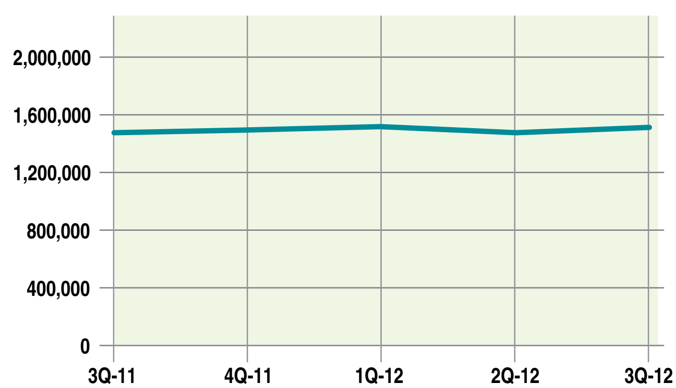
* For metro area definition, see page 14.

Figure 1: **AVERAGE EMPLOYMENT** – Minneapolis
not seasonally adjusted



Source: Minnesota Department of Employment and Economic Development (DEED) – Labor Market Information

Figure 2: **AVERAGE EMPLOYMENT** – Metro area*
not seasonally adjusted



Source: Minnesota Department of Employment and Economic Development (DEED) – Labor Market Information

* For metro area definition, see page 14

Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY** – Minneapolis[1]

	1Q-2011	2Q-2011	3Q-2011	4Q-2011	1Q-2012	Change from 1Q-11 - 1Q-12
Total, All Industries	281,468	288,839	289,829	290,665	291,668	10,200
Construction	N/A	5,686	6,227	5,788	4,773	N/A
Manufacturing	13,676	13,871	14,027	13,887	13,388	(288)
Utilities	2,969	3,019	3,039	2,976	2,803	(166)
Wholesale Trade	8,468	8,607	8,638	8,623	8,469	1
Retail Trade	13,452	14,950	14,906	14,592	13,360	(92)
Transportation and Warehousing	7,213	7,073	6,846	7,017	7,161	(52)
Information	N/A	10,652	N/A	10,730	10,502	N/A
Finance and Insurance	27,195	27,520	27,829	27,858	27,002	(193)
Real Estate and Rental and Leasing	6,436	6,530	6,387	6,273	8,993	2,557
Professional and Technical Services	31,103	31,355	31,835	31,975	32,083	980
Management of Companies and Enterprises	17,292	17,625	18,298	18,410	18,344	1,052
Administrative and Waste Services	13,733	14,283	14,588	14,563	15,992	2,259
Educational Services	30,028	29,725	27,826	30,281	31,095	1,067
Health Care and Social Assistance	47,359	48,143	47,641	48,952	49,173	1,814
Arts, Entertainment, and Recreation	4,865	5,614	5,719	4,868	4,914	49
Accommodation and Food Services	21,128	22,832	23,415	22,776	22,572	1,444
Other Services, Ex. Public Admin	9,167	9,515	9,490	9,355	9,287	120
Public Administration	11,485	11,660	12,226	11,557	11,530	45

Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment and Wages

1 Natural resource-based industries and agriculture, fishing, and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up. Table reflects latest revision by Minnesota Department of Employment and Economic Development.

Jobs

As of first quarter 2012, the number of jobs located in Minneapolis was about 291,700, slightly more than the previous quarter. In comparison with the same quarter in 2011, the number of jobs increased by 3.6 percent (about 10,200 jobs). In the first quarter Minneapolis had about 99 percent of the jobs that it had in fourth quarter 2007, at the beginning of the recession. In comparison the metro area and the state had only recovered 95 percent of the jobs in the same period.

Note that some of the increases or decreases of jobs in Table 2 are subject to seasonal variations. For example, construction grows during the spring and summer but drops in the winter. Construction decreased 17.5 percent between the 4th quarter 2011 and the 1st quarter this year.

12 month change – 1st quarter 2011 to 1st quarter 2012

On a year – to - year basis sectors that gained significant numbers of jobs were the following:

Sectors which gained the most net jobs:

- **Real estate and rental services** gained about **2,600 net jobs (40 percent)**, and more than half of the jobs gained were for lessors of real estate, commercial and residential.
- **Administrative and waste services** added nearly **2,300 net jobs (16 percent)**, most of them in employment services.
- **Health care and social assistance** grew by more than **1,800 net jobs (4 percent)**, mainly due to increases in individual and family services, child day care, and home health care.
- **Accommodation and food services** added about **1,400 net jobs (7 percent)** with special food services such as food contractors working for institutions, caterers, and mobile food services adding the most jobs.
- **Education** gained nearly than **1,100 net jobs (4 percent)**, with colleges, universities and professional school providing the bulk of jobs gained, and other schools and instruction such as fine arts, sport instruction, language, and automobile driving also growing significantly.
- **Management of companies** added approximately **1,100 net jobs (6 percent)** with corporate, subsidiary and regional management office providing most of the gains.
- **Professional and technical services** added about **1,000 net jobs (3 percent)** mostly in accounting, computer systems design, and advertising.
- **Other activities growing jobs included: arts, entertainment and recreation** (Promoters of performing arts and sports, and independent artists, writers and performers); and **government** (General government, and Justice and public order).

Sectors which experienced job losses:

- **Construction** lost about **300 net jobs (-6 percent)**, mainly in building equipment, and specialty trades such as site preparation, scaffolding, and paving.
- **Manufacturing** lost about **300 net jobs (-2 percent)**, mainly in food manufacturing and printing. Gains in some manufacturing sectors did not offset losses in these two sectors.
- **Finance and insurance** cut slightly less than **200 net jobs (-1 percent)**, mainly because of large losses in credit activities such as credit card issuing, international trade financing, real estate credit, consumer lending, and similar, and also losses in insurance activities. Bank and securities gained jobs but not enough to make up for losses in the above mentioned sectors.
- **Information** decreased by about **200 net jobs (-2 percent)** mostly in data processing, and telecommunications such as satellite tracking, and radar station operations.
- Other economic sectors losing jobs were **utilities, retail** (general merchandise stores, food and beverage, non-store retailers), and **transportation and warehousing** (postal service). Utilities lost 7 percent and the other two lost nearly 1 percent each.

Quarter to quarter change- 4th quarter 2011 to 1st quarter 2012

Sectors which gained the most net jobs:

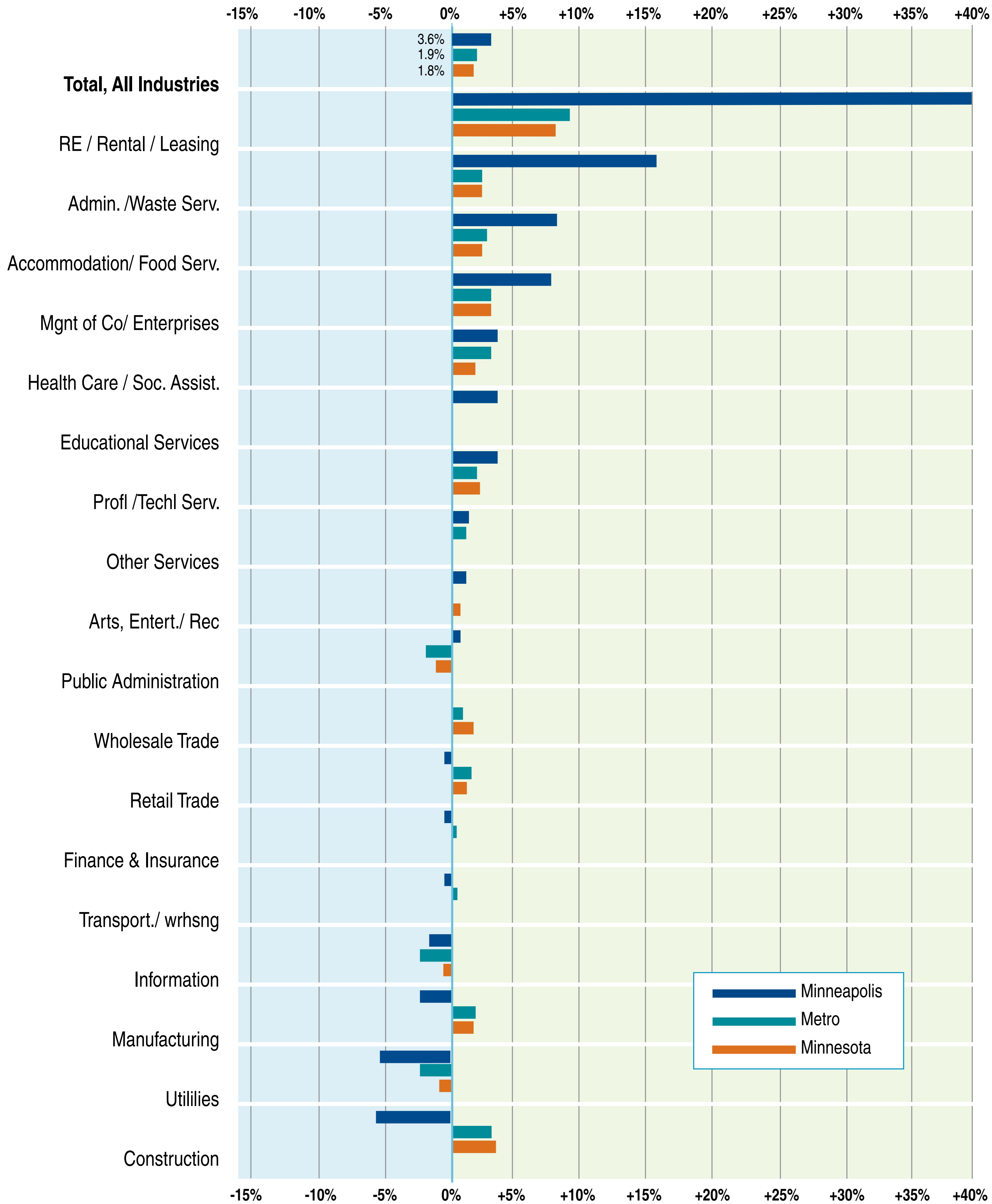
- **Real Estate** gained about **2,700 net jobs (43 percent growth)**; the bulk was in real estate leasing, commercial as well as residential properties, while all other subsectors lost employment.
- **Administrative and waste services** gained over **1,400 net jobs (10 percent growth)**, with employment services adding about 2,000 jobs, offset by losses in services to buildings and dwellings, and other support services.

- **Education** grew by over **800 net jobs (3 percent)**, with gains mostly in colleges, universities and professional schools.
- To a lesser extent, the following activities also added net jobs in the same period: **health care and social assistance** (individual and family services, residential care facilities, child day care); **transportation and warehousing** (transit and ground passenger transportation); **professional and technical services** (accounting), and **arts, entertainment and recreation** (promoters of performing arts and sports).

Sectors which experienced job losses:

- **Retail** lost about **1,200 net jobs (-8 percent)**, about half of them in general merchandise stores and food and beverage stores. Most subsectors lost employment except sporting goods, hobby, book and music stores.
- **Construction** lost about **1,000 net jobs (-17.5 percent)** across the board with the heaviest losses in foundation, structure and building exterior construction, and building equipment contractors.
- **Finance and insurance** lost nearly **900 net jobs (-3 percent)**, with most of the loss in credit activity such as credit card issuing, sales financing, real estate credit, international trade financing and others. Bank and security activity grew without offsetting the other sectors.
- **Manufacturing** lost about **500 net jobs (-4 percent)** across most subsectors, except computer manufacturing which gained about 20 jobs.
- The following activities also lost jobs: **information** (data processing, and some specialized telecommunication activities), **accommodation and food services** (restaurants, travelers accommodations), **utilities, wholesale** (professional and commercial equipment, paper and paper products, some durable goods), **services** such as personal services including wedding planning, bail bonding, consumer buying and others, and car repair, dry-cleaning, death care; **management of companies**, and **government** (human resources).

Figure 3: **JOBS** –1Q-10 to 1Q-12
percentage change



Source: Minnesota Department of Employment and Economic Development (DEED)

Minneapolis industries are sorted from high to low

For metro area definition, see page 14

Jobs

As shown in Figure 3, the city, metro area, and state all gained jobs over the twelve-month period. The city's job base increased by 3.6 percent, more than the 1.9 percent and 1.8 percent increase in the metro area and the state respectively.

Of the sectors **posting growth** over this period, **Real estate** was the fastest growing sector in the city at nearly 40 percent, while it grew much slower in the metro area and the state. In addition to real estate, **administrative services, accommodation and food services,** and **management of companies** grew in the city faster than in either the metro or state.

Education, and **government** grew in the city but not in the metro or the state. However, government's growth was insignificant. The following sectors grew in Minneapolis and both metro and state: **health care and social assistance** grew slightly faster in the city (**over 3.8 percent**), and much slower in the state (**2.4 percent**). Similar trends occurred in **professional and technical services, services** such as repair, personal care, organization services, and household services, and **arts, entertainment and recreation** - slow but faster growth in the city than in the metro and state.

Of the economic sectors **losing jobs** in the city, **retail, finance and insurance, transportation and warehousing, manufacturing and construction** decreased in the city, but grew in the metro or state. This last sector posted a decreased of 6 percent in the city, and an increase of about 3 percent in the metro area, and nearly 4 percent in the state.

In **information** and **utilities**, jobs decreased in all three geographic areas.

The first quarter of the year is the latest period for which city data from the Quarterly Census of Employment and Wages (QCEW) is available. To give an idea of the **latest developments**, preliminary data from the Bureau of Labor Statistics (Current Economic Survey-CES) show that in second quarter 2012, the 13-county Minneapolis-St. Paul-Bloomington metro area gained 45,000 jobs. The area added jobs steadily from January (beginning of the first quarter 2012) to June 2012, but slowed down in July and August.

Wages

The average weekly wage in Minneapolis in the first quarter of 2011 was $1,319, about $59 higher in nominal dollars from the previous year, and more than $20 higher in inflation-adjusted dollars.

All sectors saw higher average weekly wages in nominal dollars. However in four sectors, **finance and insurance, administrative services, information** and **services** such as repair, personal care, religious and professional organization, average weekly wages decreased in real dollars as much as $73 for finance and insurance (-2.4%). Within this sector real wages decreased mainly for securities, other financial investments, and insurance.

Average weekly real wages increased the most **from a year earlier** in two sectors:

- **Real estate and leasing (31 percent)**: Average weekly real wages increased in all subsectors, led by leasing of nonfinancial intangibles, and real estate, and consumer goods rentals. The first subsector increased more than $1,000 or 157 percent in comparison with the same quarter a year earlier.
- **Utilities (8.5 percent)**: Average weekly real wages in the utilities sector rose by more than $200.

- The following sectors also increased real wages but at a slower pace than the first group: **transportation and warehousing** (postal service, warehousing and storage, school and employee bus transportation), **government** (justice and public order), **management of companies** (all subsectors but mainly bank holdings), **retail** (health and personal care, general merchandise stores, furniture), **construction** (utility system construction, residential buildings, specialty trades contractors), **professional and technical services** (accounting, advertising, management consulting), among others.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis[1]
in current dollars

	1Q-2011	2Q-2011	3Q-2011	4Q-2011	1Q-2012	Change from 1Q-11 - 1Q-12
Total, All Industries	**$ 1,260**	**$ 1,152**	**$ 1,154**	**$ 1,224**	**$ 1,319**	**$ 59**
Construction	n/a	$ 1,088	$ 1,121	$ 1,177	$ 1,143	n/a
Manufacturing	$ 1,126	$ 1,067	$ 1,129	$ 1,200	$ 1,175	$ 49
Utilities	$ 2,366	$ 1,659	$ 1,672	$ 1,656	$ 2,643	$ 277
Wholesale Trade	$ 1,295	$ 1,234	$ 1,286	$ 1,458	$ 1,339	$ 44
Retail Trade	$ 478	$ 500	$ 515	$ 518	$ 537	$ 59
Transportation and Warehousing	$ 894	$ 984	$ 985	$ 955	$ 1,014	$ 120
Information	n/a	$ 1,348	n/a	$ 1,380	$ 1,402	n/a
Finance and Insurance	$ 2,911	$ 1,657	$ 1,686	$ 1,869	$ 2,925	$ 14
Real Estate and Rental and Leasing	$ 1,646	$ 1,291	$ 1,358	$ 1,364	$ 2,223	$ 577
Professional and Technical Services	$ 1,607	$ 1,679	$ 1,685	$ 2,138	$ 1,678	$ 71
Management of Companies and Enterprises	$ 2,081	$ 2,141	$ 1,737	$ 1,627	$ 2,213	$ 132
Administrative and Waste Services	$ 678	$ 655	$ 692	$ 722	$ 680	$ 2
Educational Services	$ 970	$ 1,049	$ 1,058	$ 1,105	$ 1,012	$ 42
Health Care and Social Assistance	$ 888	$ 950	$ 966	$ 995	$ 938	$ 50
Arts, Entertainment, and Recreation	$ 880	$ 1,370	$ 1,558	$ 891	$ 915	$ 35
Accommodation and Food Services	$ 363	$ 371	$ 396	$ 388	$ 386	$ 23
Other Services, Ex. Public Admin	$ 595	$ 602	$ 642	$ 629	$ 608	$ 13
Public Administration	$ 1,166	$ 1,263	$ 1,259	$ 1,285	$ 1,278	$ 112

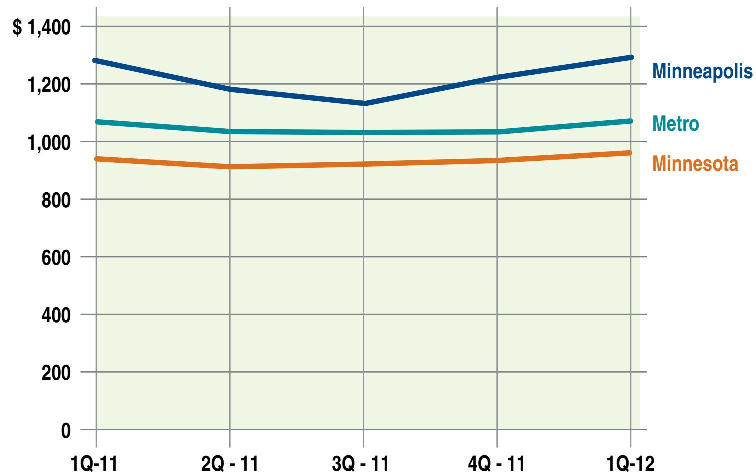
Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment

1 Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. However this quarter, average weekly wages in inflation-adjusted dollars grew in the city at a slower pace than either the metro area or the state.

Figure 4: **AVERAGE WEEKLY WAGES** – 1Q-11 to 1Q-12
in inflation-adjusted dollars



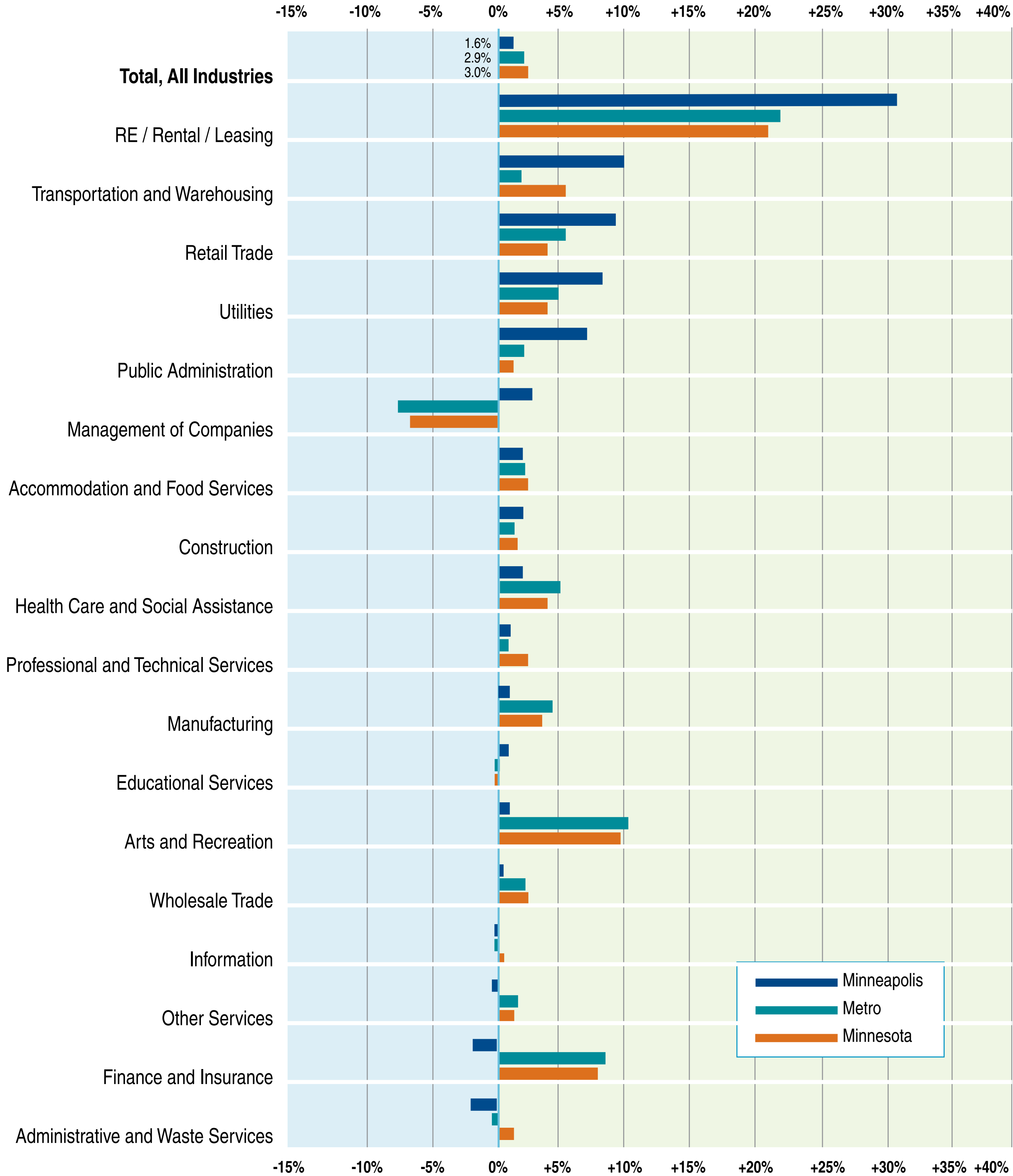
	1Q-11	2Q-11	3Q-11	4Q-11	1Q-12	$ change 1Q-11 to 1Q-12	% change 1Q-11 to 1Q-12
Minneapolis	$ 1,298	$ 1,186	$ 1,167	$ 1,238	$ 1,319	$ 21	1.6%
Metro area	$ 1,107	$ 1,048	$ 1,045	$ 1,066	$ 1,139	$ 32	2.9%
Minnesota	$ 952	$ 917	$ 925	$ 947	$ 988	$ 36	3.8%

Source: Minnesota Department of Employment and Economic Development (DEED)

For conversion factors, see page 14

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 1Q-11 to 1Q-12
percent change in inflation-adjusted dollars*



Source: Minnesota Department of Employment and Economic Development (DEED)

* For conversion factors, see page 14
Minneapolis industries are sorted from high to low.
For metro area definition, see page 14

Wages

Only a few economic sectors in Minneapolis saw average real weekly wages fall. These sectors were information, services other than government, finance and insurance, and administrative and waste services. In the metro area average weekly wages also decreased in four sectors, namely, management of companies, education, information and administrative and waste services. In Minnesota wages decreased in management of companies and education only. Wages increased in all the other industries in the economic sectors across the city, metro and state between 1st quarter 2012 and 1st quarter 2011, as shown in Figure 5 above. **Real estate** wage growth was the highest in Minneapolis, and also in the metro and the state.

- In **transportation and warehousing, retail, utilities, and government** average weekly real wages rose much faster in the city than in the metro or state. In the first sector wages increased over **10 percent** in the city compared with about 3 percent in the metro and 6 percent statewide.
- **Management of companies'** real wages increased in the city at **about 3 percent**, while they decreased in the metro and state. Similar trends took place in **education**. Real wages in educational services increased by more than 1 percent in the city, but declined in the other two geographic areas.
- In industries such as **health care and social assistance, professional** and **technical services, and manufacturing** average weekly wages corrected for inflation grew slowly in the city, but faster in the metro area and the state. And while growth in **arts, entertainment and recreation** wages was weak in the city, it was significant in the metro area and state.

Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. For complete definitions go to: http://www.bls.gov/opub/hom/pdf/homch1.pdf

Metro area: The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Jobs and wages: Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area, and Minnesota. To see how the "digits" work, go to http://www.census.gov/eos/www/naics/

Inflation-adjusted figures: Values reported in table 3 are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the first quarter of 2012, dollars have been converted with an index reflecting the CPI for the first half of 2012 and first half of 2011 with 2012 as a base year for Minneapolis and metro area, and the state. To look at the indexes go to: http://www.bls.gov/cpi/ then go to databases and to "All urban consumers (current series)."

Development indicators

- 1,171 new construction residential units were permitted this quarter, most of them rental units in multifamily buildings, and an additional 259 net units were permitted via conversions from non-residential uses and partitions or consolidations of residential units.
- Total net units permitted this quarter were 1,430 units, the highest quarterly total in the last ten years.
- The city permitted eight times more multifamily units this quarter than either last quarter or the third quarter last year. The total number of **rental units** added from both new construction and conversions adds up to 1,400.
- Twenty seven residential and commercial projects costing at least $1 million were permitted this quarter, totaling $220.6 million. The largest single project was a new 204- unit apartment building called Third North. The second largest was Bennett East Apartments, a 203-unit apartment building.

New construction

Permitting of single-family units continued to increase slowly, but the number of multifamily units skyrocketted from the previous quarter and from the same quarter last year. Eight times more units will be added this quarter than last quarter and the third quarter last year.

The metro area also increased permitting activity, adding twice the number of units as were permitted last quarter and the third quarter last year.

Figure 6 shows the dramatic increase in construction of new multifamily units since last year. These numbers do not include remodeling and conversion projects, which are discussed on pages 19 and 20. Remodeling and conversion projects are reported separately from new building permits, and appear in Table 5 and Map 2.

Table 4: **NEW RESIDENTIAL UNITS PERMITTED**

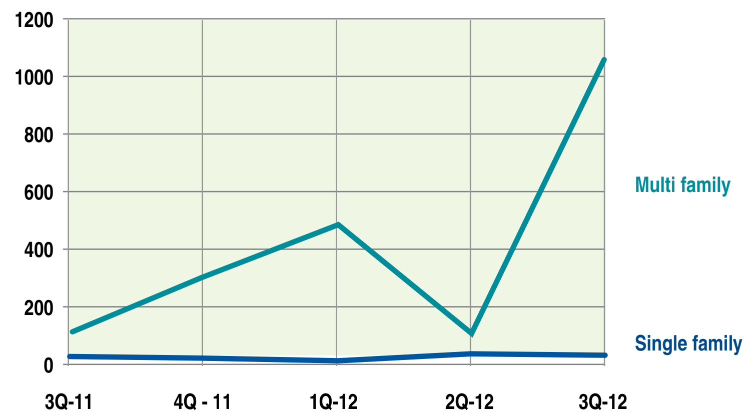
	3Q-11	4Q-11	1Q-11	2Q-12	3Q-12
Single-family					
City	16	14	11	20	21
Metro area	963	851	706	1,318	1,422
Multifamily					
City	122	328	448	121	1,150
Metro area	362	722	668	555	1,691
Total Units					
City	138	342	459	141	1,171
Metro area*	1,325	1,573	1,374	1,873	3,113

Source: U.S. Census Bureau, based on estimated number of permits with imputation

* Estimated number of permits with imputation: The Census Bureau estimates that about 8 percent of the total number of units permitted are undereported by counties in the metro area.

For metro area definition, see page 14

Figure 6: **NEW RESIDENTIAL UNITS PERMITTED** – Minneapolis



Source: U.S. Census Bureau, and Minneapolis Regulatory Services

New construction

Twenty one single-family dwellings were permitted, more than half of them in the southwestern part of the city, near Lake Harriet and Lake Calhoun.

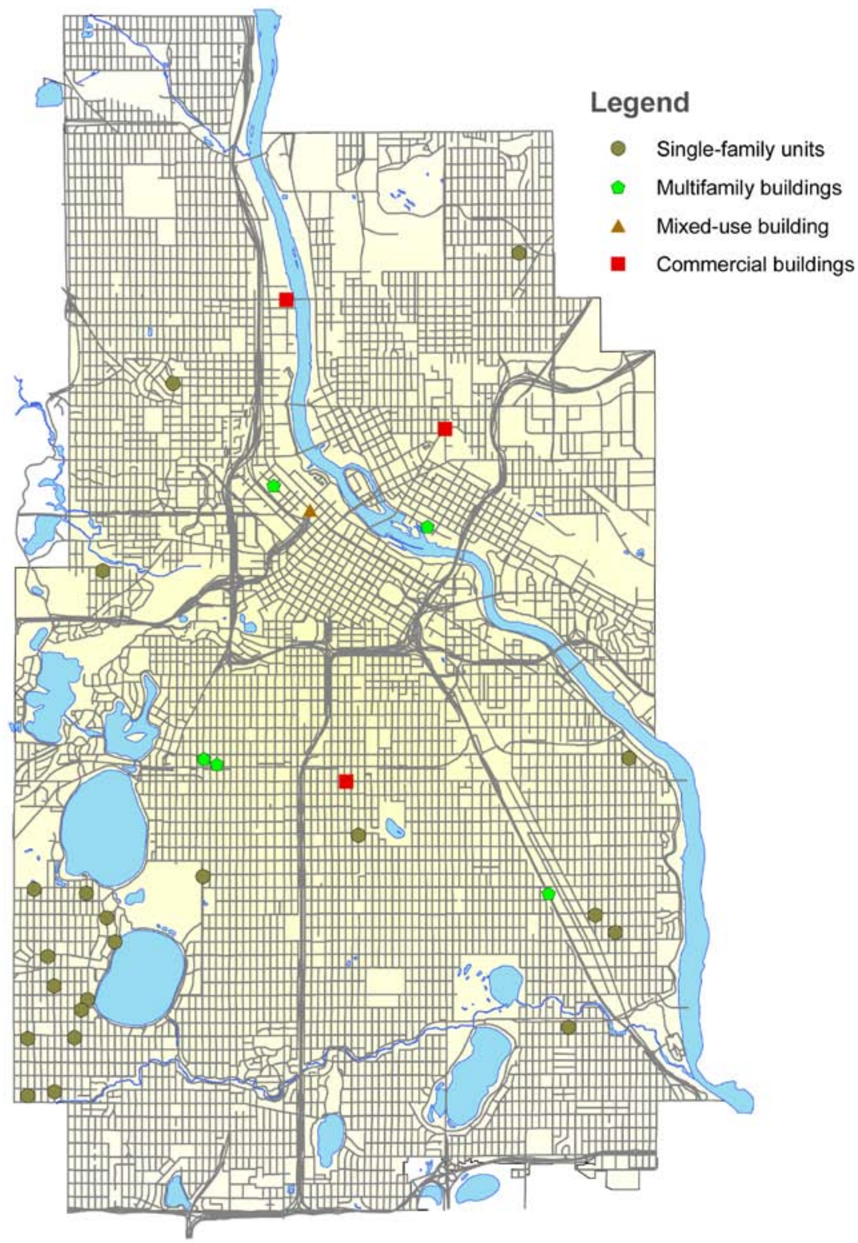
Five new apartment buildings totaling 965 units were permitted this quarter. Including a mixed-use development on Washington Ave N, 1,150 multifamily rental units will soon be added to market.

Map 1 shows the location of these projects, and they are listed on Table 6 – page 30- Major Construction Projects.

Three small non-residential buildings were also permitted: the construction of a de-icing equipment house for the new Lowry Bridge in North Minneapolis, a new cold storage building on Harrison St NE, and a retail/fueling dispensing station on East Lake St.

Map 1: **NEW CONSTRUCTION** – 3Q-12

Source: Minneapolis Regulatory Services



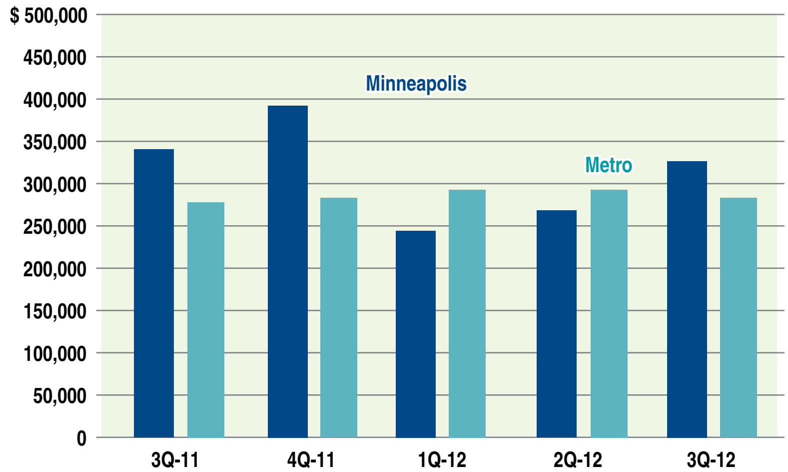
Cost of residential construction

The twenty one new single-family homes permitted this quarter had estimated construction costs ranging from $145,000 to $600,000, with a median of $285,000.

The average single-family construction cost in the city increased by 27 percent this quarter in comparison with last quarter, but decreased 5 percent compared with the same quarter last year. In the metro area construction costs decreased 4 percent, but increased about 2.5 percent compared with third quarter last year.

This quarter the average construction cost of multifamily units decreased slightly in the city and the metro area from last quarter, but it increased from a year ago in the city and metro. The large number of units being built in apartment buildings slightly decreased the average price of the units. It was about 2 percent lower from last quarter in the city and about 5 percent lower in the metro area. It was about 26 percent higher in the city than the previous year and 37 percent higher in the metro area compared to the same period.

Figure 7: **SINGLE-FAMILY CONSTRUCTION COST**
per unit

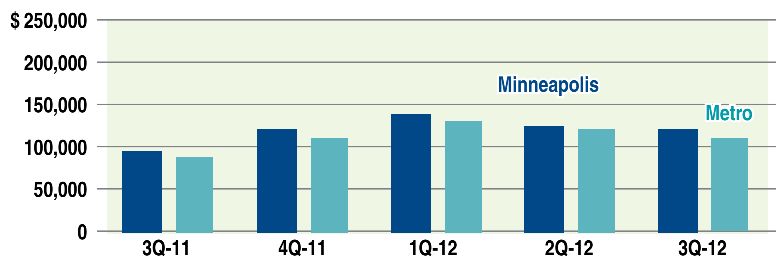


	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis	$ 341,800	$ 392,700	$ 244,400	$ 255,300	$ 323,300
Metro area	271,100	285,700	297,600	289,700	277,800

Source: U.S. Census Bureau

Table values are not adjusted for inflation
For metro area definition, see page 14

Figure 8: **MULTIFAMILY CONSTRUCTION COST**
per unit



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis	$ 98,600	$ 126,700	$ 141,900	$ 126,600	$ 124,300
Metro area	86,500	121,000	140,000	126,300	119,900

Source: U.S. Census Bureau

Values in table are not adjusted for inflation
For metro area definition, see page 14

Conversions, remodels & additions

About 21 percent more **residential** remodeling, conversion and addition projects with a value of $50,000 or more was permitted this quarter, but the total value was about 29 percent lower than last quarter. Compared to last quarter, thirty more buildings received permits to make improvements, convert from other uses, or add more units to existing residential structures. The lower value this quarter was the result of a few multimillion conversions and additions in the second quarter. Compared to third quarter last year, there were twenty two more permitted building remodels, additions and conversions from other residential uses. This quarter the Soo Line building was permitted to convert from offices into 250 rental units in downtown, increasing the number of units by 139 in comparison with the same quarter last year. Adding to new construction, reported on page 21, the number of rental units coming to the market this quarter is planned to be 1,400.

At $98.7 million, overall projected cost of **non-residential** construction was nearly 19 percent lower than last quarter, but 67 percent higher than third quarter 2011. The increase in value from the previous year reflected several multimillion projects including the remodels of the Keewaydin School, MCTC, and Lake Harriet Lower School among others.

Table 5: **PERMITTED CONVERSIONS, REMODELS AND ADDITIONS**
projects $50,000 +

	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Total Residential[1]					
Number of buildings	149	122	122	141	171
Total value	$ 33,537,000	$ 47,573,100	$ 14,900,500	$ 47,063,000	$ 33,573,000
Remodels					
Number of buildings	145	118	120	132	166
Value	$ 20,322,000	$ 17,247,700	$ 14,581,500	$ 18,634,700	$ 28,342,500
Conversions and additions[2]					
Number of buildings	4	4	2	9	5
Net number of units	120	250	0	187	259
Value	$ 13,215,000	$ 30,325,300	$ 319,000	$ 28,428,300	$ 5,230,500
Total non-residential[1]					
Number of buildings[3]	129	119	109	144	150
Value	$ 59,285,600	$ 54,875,300	$ 89,184,700	$ 121,716,40	$ 98,747,700

Source: Minneapolis Regulatory Services

1 Residential and non-residential building listings may include structural work, build-outs (other than new building build-outs) and other improvements.
2 Residential conversions consist of a change in uses (e.g. from an office building to residential apartments) or subdividing or consolidating residential units.
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

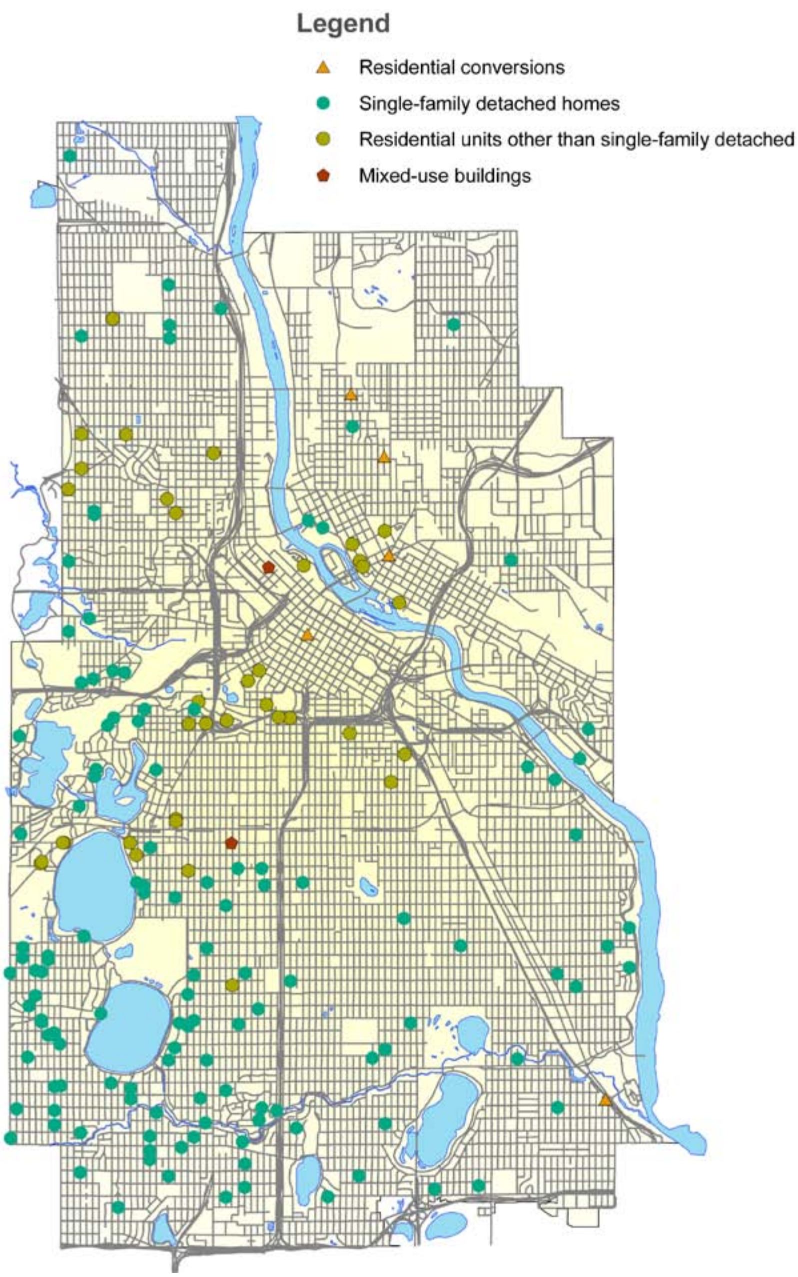
Conversions, remodels & additions

About 77 percent of residential buildings with remodeling permits this quarter were single-family dwellings. Of these 127 single-family buildings, 65 percent were located in the western part of the city between the city border and 35W as shown on Map 2, particularly in the southern part of the quadrant. Of all the other residential buildings including duplexes, triplexes and multifamily buildings or units in them with remodeling permits, about 37 percent were located in the southern part of the city west of 35W; 22 percent were located in the city north-side, 13.5 percent were located in downtown, and another 13.5 percent were located in the northeast; 8 percent were located in the southwestern part of the city, east of 35W.

Three residential conversions were located in the City's northeast. But the most significant conversion this quarter was the conversion of the Soo Line office building in downtown into 250 luxury rental apartments.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION** – 3Q-12
projects $50,000 +

Source: Minneapolis Regulatory Services



Conversions, remodels & additions

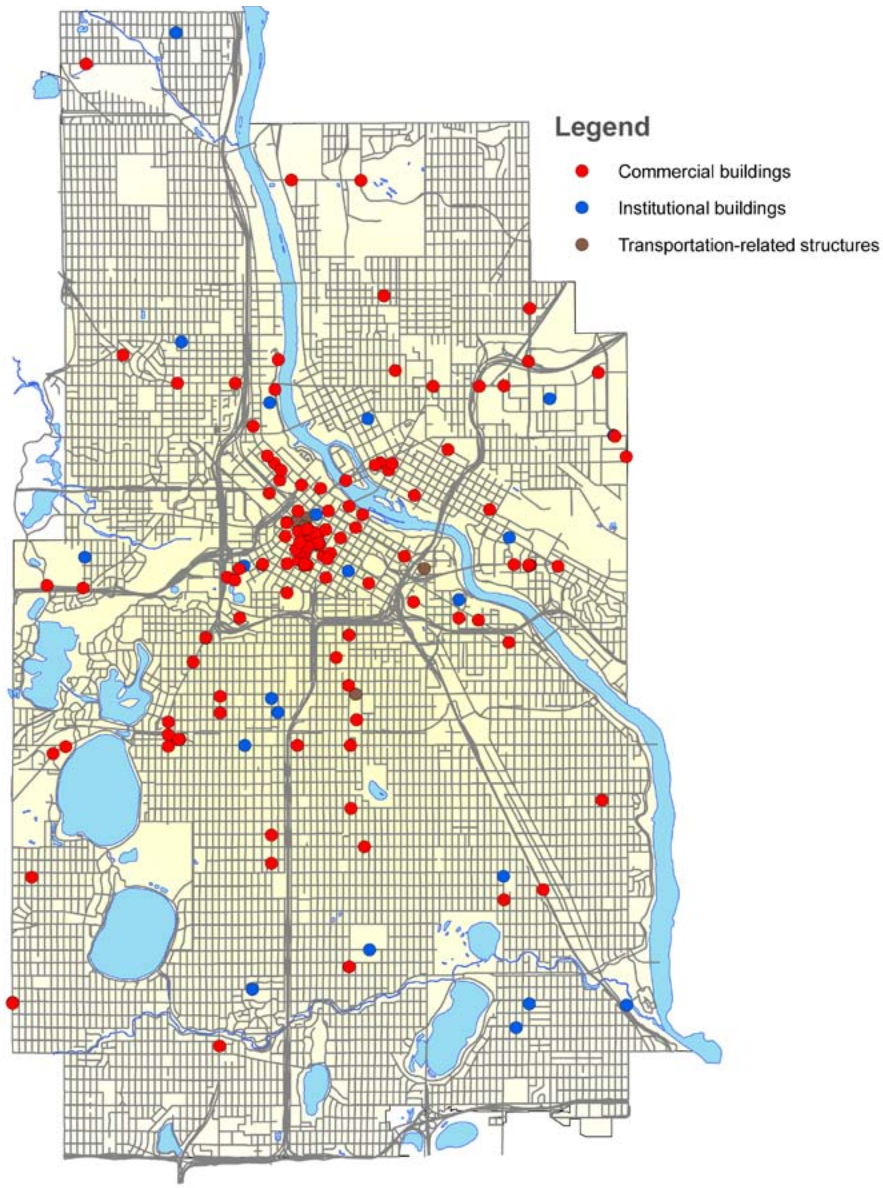
The downtown area had about 41 percent of the permitted non-residential projects valued $50,000 or more. From these projects, most were office build-outs and remodels.

Institutional projects included schools and colleges (MCTC, Keewaydin, Lake Harriet, Washburn High), hospitals (HCMC), churches (Our Lady of Victory, Simpson Methodist); libraries (Roosevelt Library).

Transportation-related structures included parking facilities mostly in Downtown, as shown on map 3.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION** – 3Q-12
projects $50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the third quarter of 2012. The dollar amounts only reflect projected construction cost (not land acquisition or soft costs) for permits issued that quarter. The highest cost projects were six apartment buildings ranging between $28 million and $19 million that will add 1,150 units to the housing stock, or 82 percent of the total of rental units permitted.

Table 6: **MAJOR MINNEAPOLIS CONSTRUCTION PROJECTS** projects $1,000,000+

Description	Address	Neighborhood	Projected construction $	CPED Involvement [1]
Third North: 204-unit apartment building	800 3rd St N	North Loop	$ 27,784,100	●
Bennett East Apartments: 203-unit apartment building	2825 Dupont Ave S.	Lowry Hill East	$ 26,341,900	●
Dock Street Apartments: New 185-rental units with retail	337 Washington Ave N	North Loop	$ 25,500,000	●
Mill & Main Apartments: New 180-apartment unit building	501 Main St SE	Marcy Holmes	$ 20,856,842	●
Track 29 City Apartments: New 198-apartment units in two buildings	2841 Bryant Ave S	Lowry Hill East	$ 20,594,700	●
Longfellow Stations: New 180-unit rental building	3845 Hiawatha Ave	Howe	$ 18,850,000	●
Keewaydin Public School: : New gym, auditorium and cafeteria*	5209 30th Ave S	Keewaydin	$ 10,959,300	●
MCTC remodel*	1501 Hennepin Av	Loring Park	$ 9,106,800	
Lake Harriet Lower School: Addition and remodel*	4030 Chowen Ave S.	Linden Hills	$ 7,815,800	●
Target: Buildings remodel for additional meeting space*	1011 Nicollet Mall	Downtown West	$ 6,354,500	●
Minneapolis Convention Center: Roof replacement, accessibility and toilets upgrade*	1301 2nd Ave S	Loring Park	$ 5,233,600	
Soo Line City Apartments: Office building conversion into 250 residential units*	101 5th St S.	Downtown West	$ 4,696,000	●
Wells Fargo Center: KPMG office remodel*	90 7th St S	Downtown West	$ 4,465,500	
Stradford Flats: 62- units apartment remodel	22 15th St E	Loring Park	$ 4,000,000	●
Dain Rauscher Plaza: RBC Wealth Management office remodel*	501 Nicollet Mall	Downtown West	$ 3,892,400	
MPHA: Building repairs at 1700 22nd St E	1700 22nd St E	Ventura Village	$ 3,800,000	
HCMC: Expansion of cancer center*	701 Park Ave	Elliot Park	$ 3,313,700	
Minnesota Veteran's Home: Nursing home remodel	5101 Minnehaha Ave	Hiawatha	$ 3,192,000	
Accenture Tower: Build-out of two floors for Accenture*	333 7th St S	Downtown West	$ 2,417,800	
Calhoun Square: Shopping center remodel*	3001 Hennepin Ave	CARAG	$ 2,327,100	●
The Broadway: Warehouse conversion into office-lofts space*	945 Broadway St NE	Northeast Park	$ 1,875,500	
Roosevelt Public Library: Addition and remodel	4026 28th Ave S	Standish	$1,740,000	●
Nokomis Clinic: Vestibule addition and interior remodel	4730 Chicago Ave	Field	$1,426,200	
Space remodel for Union Restaurant	731 Hennepin Ave	Downtown West	$1,319,000	
Loop Calhoun Condominiums: Building façade repairs*	3104 Lake St W	Cedar-Isles-Dean	$1,300,900	
MPHA: Plumbing replacement at 1707 3rd Ave S	1707 3rd Ave S	Steven's Square-Loring Heights	$1,254,100	
US Plaza: Office build-out for International Decision Systems*	220 6th St S	Downtown West	$1,197,000	
Target: Office remodel*	3701 North Wayzata Blvd	Bryn Mawr	$1,092,300	
Edgewater Condos: Interior finishing for condo unit*	1805 Lake St W	ECCO	$1,038,300	
MoZaic: Office space remodel for Mono Advertising	1320 Lagoon Ave	Lowry Hill East	$1,006,500	

Source: Minneapolis Regulatory Services and CPED

* Includes more than one permit at one address

1 Community Planning and Economic Development (CPED) assists selected construction projects in the City with land assembly, property purchases, grants for land remediation, financial assistance through bonds or small loans for business, and technical assistance on land use regulatory matters.

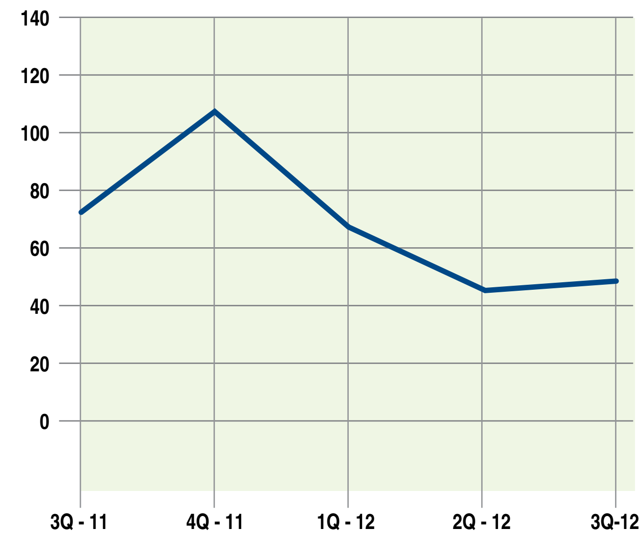
Demolitions

Since 4Q-11 residential demolitions have decreased steadily, and the number this quarter is lower than the same quarter last year. However, the number of buildings scheduled for demolition this quarter was slightly higher than the number permitted last quarter.

The number of single-family home demolitions was the same in North Minneapolis and in the lakes area in the south west, about 36 percent each. The rest of the units permitted for demolition included a few units south of I94, and near the Hiawatha corridor in the south. One single-family home was permitted to move from Zenith Ave S to Queen Ave N. Eight duplexes had permits for demolitions, and were scattered around the city. A mixed-use building with one residential unit was scheduled for demolition on Penn Ave N.

Several commercial buildings had permits for demolition in the third quarter, eleven of them in downtown and the north side, and eight scattered in the northeast and south east of I35W.

Figure 9: **RESIDENTIAL UNITS DEMOLISHED –** Minneapolis

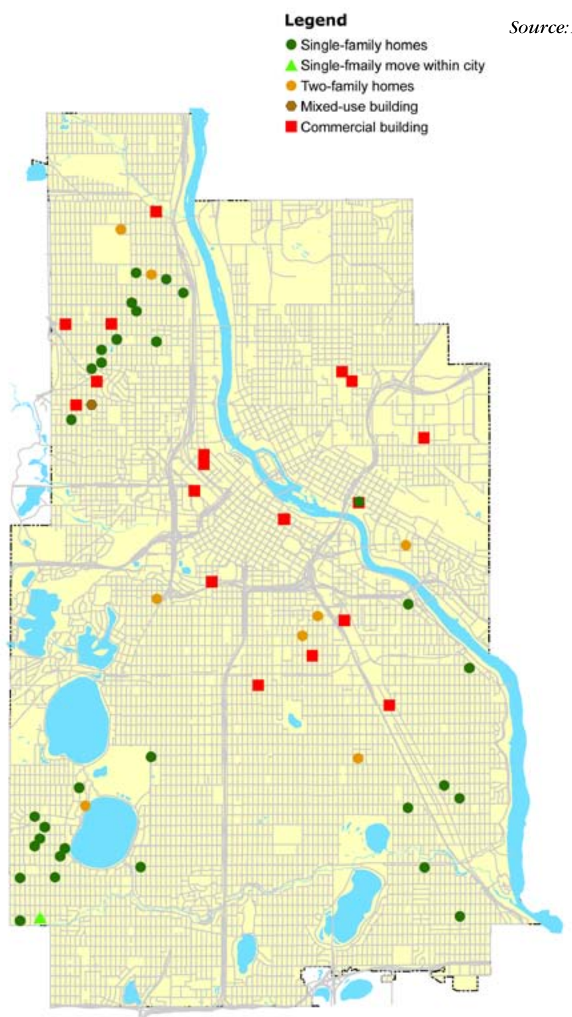


Quarter	Units
3Q-11	71
4Q-11	108
1Q-12	67
2Q-12	44
3Q-12	50

Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS** –3Q-12

Source: Minneapolis Regulatory Services



Definitions & sources

Building permits for new construction: : Permits represent construction projects (residential and non-residential) approved by the City. Typically there is a time lag between issuing a permit and actual construction.

Table four and figures six to eight are based on monthly figures for the city of Minneapolis and metropolitan area provided by the U.S. Census Bureau. For mapping purposes, data on new building construction, remodels, conversions and demolitions for the city are based on permit information by address from the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and Minneapolis Regulatory Services may differ slightly for the same period because of a time-lag in reporting. Census Bureau numbers do not include additions, remodels or demolitions.

Single-family buildings have only one unit in the building.

Multifamily buildings have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units.)

Cost of residential construction is based on the cost developers report on permit requests for their projects.

Construction cost per unit refers to the total construction cost reported divided by the number of units permitted during the period considered.

Non-residential buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City's Regulatory Services Department.

Building permits for residential remodeling, **additions and conversions:** Table five and maps two and three are based on data from the City of Minneapolis Regulatory Services Department. Information includes all City-approved projects for remodeling, additions and conversions with a value of $50,000 or more.

Building permits for demolitions: These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes rentals and condominiums.

Maps – Building uses: Categories listing the uses of buildings are based on descriptions from their permits. The following categories are used:

Map 1 – New buildings

Single-family: means detached dwellings.

Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including townhouses.

Mixed-use residential: means buildings with other uses in addition to residential, for example, residential and commercial; residential and retail and/or office.

Non-residential use: means all buildings that do not have a residential component. It also includes structures such as communications towers and skyways.

Map 2 – Residential remodels with a construction cost of $50,000 or more:

Single-family includes all detached single-family dwellings with permits for renovations, additions or improvements.

Other residential includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or build-outs of one or more individual units and remodeling of the entire building.

Conversions consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.

Map 3 – Non-residential remodels, additions and improvements with a cost of $50,000 or more

Commercial includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a build-out of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.

Institutional: This category includes hospitals, clinics, churches, schools, nursing homes, correctional centers and any other institutional use.

Transportation related includes parking, skyways and bus and rail terminals.

Map 4 – Demolitions

Single family buildings: All detached residential buildings with one unit in the structure.

Multi-family buildings: All residential buildings with 2 or more units in the structure.

Non-residential: All non-residential buildings and structures

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis decreased from 1.8 percent in the second quarter to 1.6 percent.
- The number of traditional housing sales continued to make gains this quarter, while lender-mediated sales decreased by 16 percent. Average prices increased slightly from the previous quarter. On a year-to-year basis the number of traditional housing sales increased by about 40 percent, while lender-mediated sales decreased by nearly 23 percent. Median sale prices increased 10 percent for traditional and 38 percent for lender-mediated sales.
- The number of condemned, boarded and vacant buildings in the city decreased by 6.5 percent from the previous quarter, and by 7 percent from third quarter 2011.
- Foreclosure sales decreased 6 percent, but increased 1 percent compared to third quarter last year.
- The office vacancy rate in the Minneapolis central business district (CBD) hovered between 14.6 percent and 17 percent this quarter, depending on the firm reporting. Retail vacancies ranged from 13.3 percent to 21.3 percent.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing decreased again this quarter from 1.8 percent last quarter to 1.6 percent. The vacancy rate has been decreasing since the end of 2011. Although many apartment buildings have been built in the last two years, demand for rental housing continued to exceed supply.

Supply is increasing: about 1,400 rental apartments both in new buildings and conversions were permitted this quarter alone.

In the metro area, the vacancy rate was 2.7 percent, unchanged from last quarter. Construction of new apartments took place mainly in Hennepin and Dakota Counties, with Minneapolis accounting for 68 percent of the new units permitted this quarter in the metro area.

Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

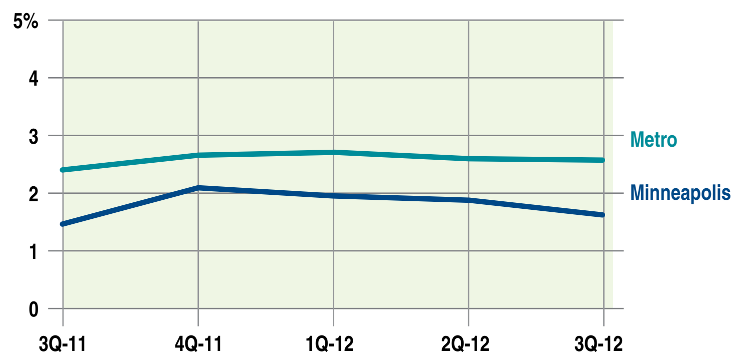
	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis					
Units surveyed	14,390	14,971	15,388	15,130	16,183
Vacant units	213	310	291	275	263
Average rent	$ 965	$ 960	$ 978	$ 1,011	$ 995
Vacancy rate	1.5%	2.1%	1.9%	1.8%	1.6%
Metro area					
Units surveyed	107,649	109,707	108,820	107,822	111,204
Vacant units	2,518	3,062	3,072	2,919	2,977
Average rent	$ 925	$ 927	$ 935	$ 951	$ 951
Vacancy rate	2.3%	2.8%	2.8%	2.7%	2.7%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, page 43

Figure 10: **RENTAL VACANCY RATES**
in percent



Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see page 43

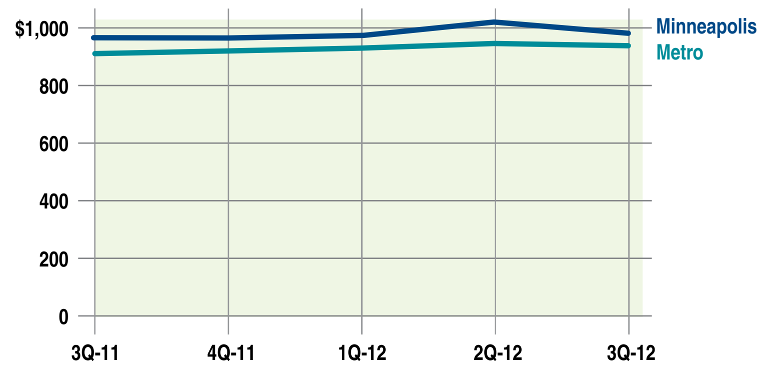
Apartment vacancy rates & average rents

At $951, Minneapolis average rent in inflation-adjusted dollars was over $20 (-2.1 percent) lower than at the end of last quarter, but about $20 higher than the third quarter last year. In the metro area average rent was $951, decreasing by about $5 in inflation-adjusted dollars in comparison with the previous quarter. It was $17 higher than the same quarter of 2011 after adjusting for inflation.

The vacancy rate was unchanged in Downtown from last quarter, but it decreased in Southwest, North and South Minneapolis in the same period. It slightly trended up in East Minneapolis. Compared to the same quarter last year, the vacancy rate rose in Downtown from 1.0 percent to 1.7 percent, showing that the higher number of apartments built in the area was starting to affect the market. In all the other areas except in East Minneapolis, vacancy rates were lower than third quarter last year. The lowest rates were in North and East Minneapolis.

* For conversion factors, see page 43.

Figure 11: **AVERAGE APARTMENT RENT**
in current dollars



In inflation-adjusted dollars

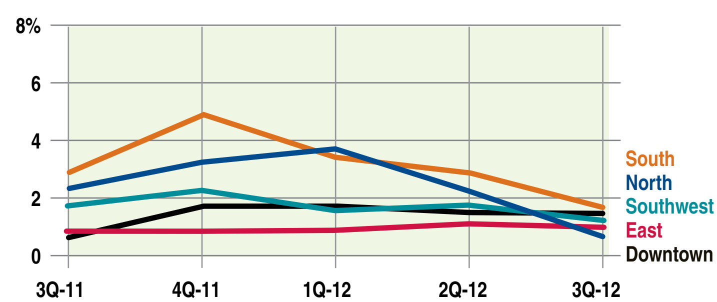
	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis	$ 974	$ 973	$ 988	$ 1,016	$ 995
Metro area	$ 934	$ 940	$ 944	$ 956	$ 951

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

* For conversion factors, see page 43.

Figure 12: **VACANCY RATES BY MINNEAPOLIS GEOGRAPHIC SECTORS***
in percent



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Downtown	1.0%	1.9%	1.9%	1.7%	1.7%
Southwest	1.8%	2.2%	1.8%	1.9%	1.6%
North	2.2%	2.8%	3.9%	2.2%	1.1%
South	2.6%	4.9%	3.8%	3.1%	1.8%
East	1.1%	1.1%	1.2%	1.4%	1.5%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

* For sector definitions, see page 43.

Apartment vacancy rates & average rents

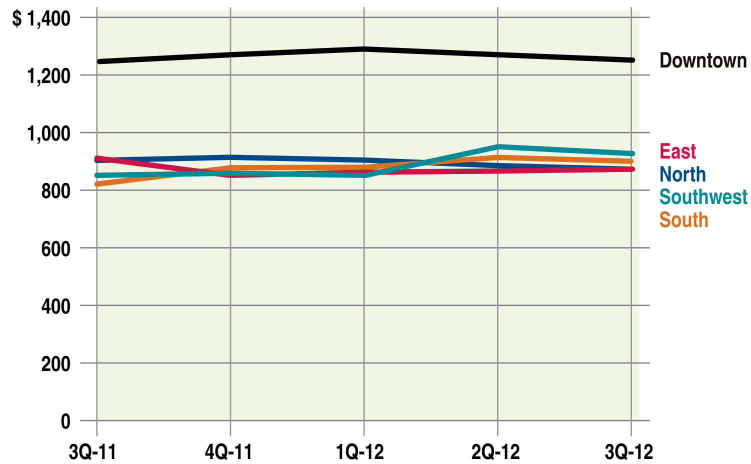
Average rents increased in East Minneapolis by only 0.4 percent in 857 inflation-adjusted dollars. In all the other geographic sectors average rents decreased. They decreased the most in Southwest Minneapolis (-2.6 percent) followed by South Minneapolis (-2.5 percent).

On a year to year basis, rents increased the most in South Minneapolis (4.5 percent, or nearly $40 in real dollars), followed by Southwest (about 4 percent, or more than $30 in inflation-adjusted dollars). In Downtown average rents increased slowly, over 1 percent ($15 on average).

Rents were slowing down in Downtown after a steady increase in recent quarters, but they continued to increase in other areas of high demand such as Southwest. Housing experts note that many people need to rent because they can't afford a mortgage, even with historical low interest rates. Others prefer to rent because housing ownership is no longer an investment, keeping rents at a high levels. Both factors are increasing demand for rental units, thus providing an incentive for developers to build apartments at record numbers.

* For conversion factors, see *page 44.*

Figure 13: **AVERAGE MONTHLY RENT BY CITY GEOGRAPHIC SECTORS***
in current dollars



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Downtown	$ 1230 *1,242*	$ 1248 *1,265*	$ 1277 *1,290*	$ 1267 *1,274*	$ 1,257 *$ 1,257*
Southwest	$ 857 *865*	$ 852 *864*	$ 847 *856*	$ 918 *923*	$ 899 *899*
North	$ 879 *888*	$ 880 *892*	$ 887 *896*	$ 869 *874*	$ 872 *872*
South	$ 837 *845*	$ 861 *873*	$ 861 *870*	$ 901 *906*	$ 883 *883*
East	$ 882 *891*	$ 847 *859*	$ 874 *883*	$ 876 *881*	$ 884 *884*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.
Rents in inflation-adjusted dollars are on table in Italics.

* For conversion factors, see *page 44.*
** For City sectors definition see *page 43.*

Apartment vacancy rates & average rents

Vacancy rates declined citywide for all apartment types except two-bedroom units, and were below the city's average for studio apartments.

In comparison with third quarter of 2011, vacancy rates were lower for studios and three-bedroom apartment types, but higher for one and two-bedroom units.

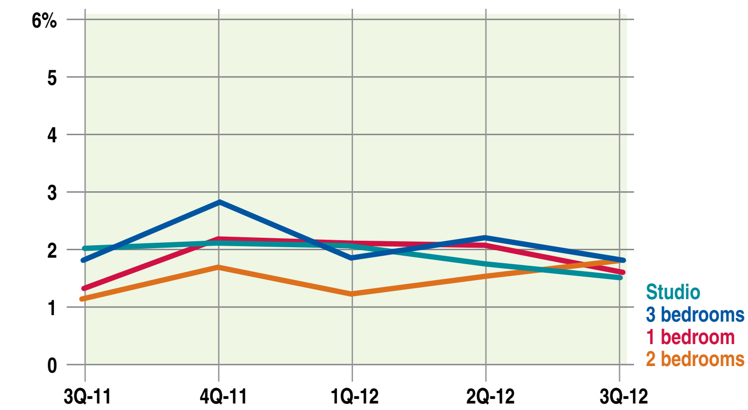
Average rents in inflation-adjusted dollars decreased this quarter for all types of units. Rents for one and two-bedroom apartments decreased the most.

Average rents increased from a year ago in inflation-adjusted dollars for all types of apartments, except the largest units, from 4 percent for studios to 0.5 percent for two-bedroom units.

With an improving labor market, demand was redirected toward smaller units, rather than large units that were attractive for sharing arrangements during the economic slowdown. Rents were still growing in comparison with last year in spite of the high number of new units coming to market, with a consequent rise in vacancies.

* For conversion factors, see page 44.

Figure 14: **RENTAL VACANCY RATE –** Minneapolis
in percent by apartment type

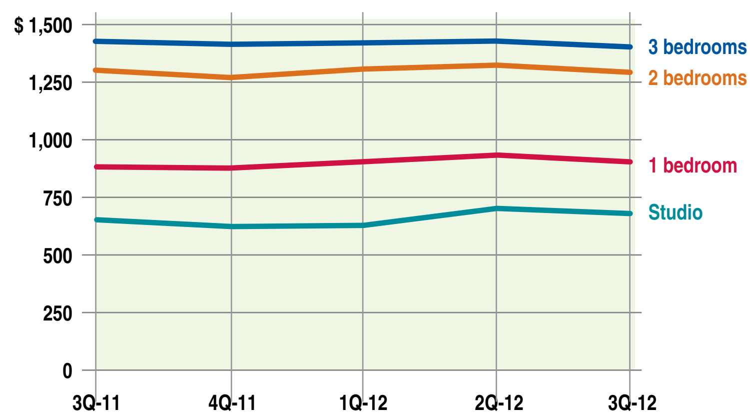


	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Studio	2.0%	2.1%	2.0%	1.7%	1.5%
One-bedroom	1.4%	2.1%	2.0%	2.0%	1.6%
Two-bedroom	1.2%	1.7%	1.3%	1.6%	1.7%
Three-bedroom	1.9%	2.9%	1.8%	2.1%	1.7%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 15: **AVERAGE UNIT MONTHLY RENT –** Minneapolis
in current dollars by apartment type



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Studio	$697	$ 687	$ 689	$ 736	$ 731
	704	*696*	*696*	*740*	*731*
One-bedroom	$ 884	$ 883	$ 899	$ 930	$ 915
	893	*895*	*908*	*935*	*915*
Two-bedroom	$ 1250	$ 1238	$ 1258	$ 1282	$ 1269
	1,262	*1,255*	*1,271*	*1,289*	*1,269*
Three-bedroom	$ 1398	$ 1389	$ 1395	$ 1409	$ 1406
	1,412	*1,408*	*1,409*	*1,416*	*1,406*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.
Numbers in Italics are adjusted for inflation.

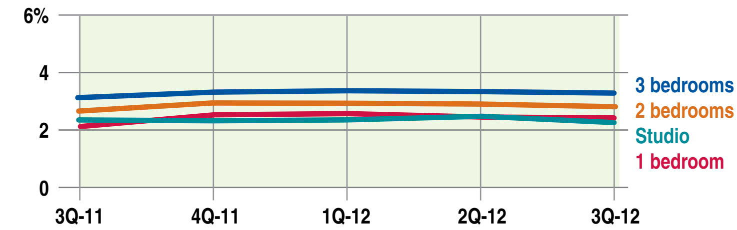
Apartment vacancy rates & average rents

In the metro area vacancy rates decreased or were unchanged from last quarter's rates.

Compared with the second quarter last year, vacancy rates for all apartment types increased this quarter except for studio apartments which remained unchanged.

Average rents in *inflation-adjusted* dollars in the metro area decreased for all types of apartments except three-bedroom units which rose slightly. In comparison with third quarter last year, average rents increased for all apartment types, ranging from 2 percent for one-bedroom units to 1 percent for three-bedroom apartments.

Figure 16: **APARTMENT RENTAL VACANCIES –** Metro area
in percent by apartment type

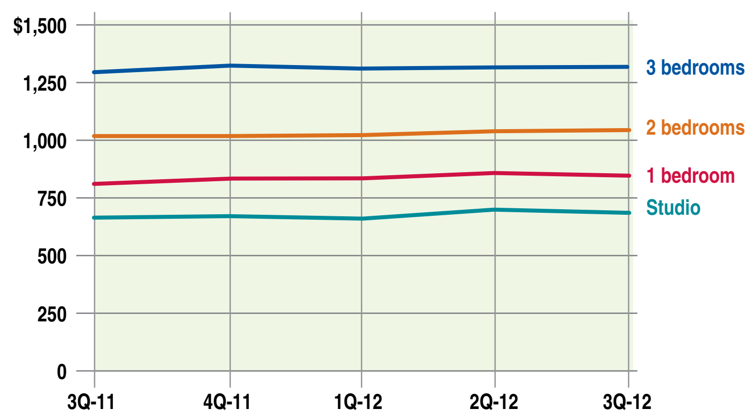


	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Studio	2.2%	2.2%	2.6%	2.7%	2.2%
One-bedroom	2.1%	2.5%	2.7%	2.4%	2.4%
Two-bedroom	2.5%	3.0%	2.9%	2.9%	2.8%
Three-bedroom	3.1%	3.3%	3.4%	3.3%	3.3%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter
For metro area definition, see page 43

Figure 17: **AVERAGE APARTMENT MONTHLY RENT –** Metro area
in current dollars by apartment type



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Studio	$ 692	$ 690	$ 687	$ 712	$ 710
	699	*700*	*694*	*716*	*710*
One-bedroom	$830	$ 811	$ 812	$ 830	$ 828
	811	*822*	*820*	*834*	*828*
Two-bedroom	$1004	$ 1002	$ 1015	$ 1030	$ 1033
	1,014	*1,016*	*1,025*	*1,035*	*1,033*
Three-bedroom	$1285	$1291	$1294	$ 1301	$ 1309
	1,298	*1,309*	*1,307*	*1,308*	*1,309*

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multi family rentals are excluded.)

Recorded data for the last month of the quarter
Numbers in Italics are adjusted for inflation.
For metro area definition, see page 43

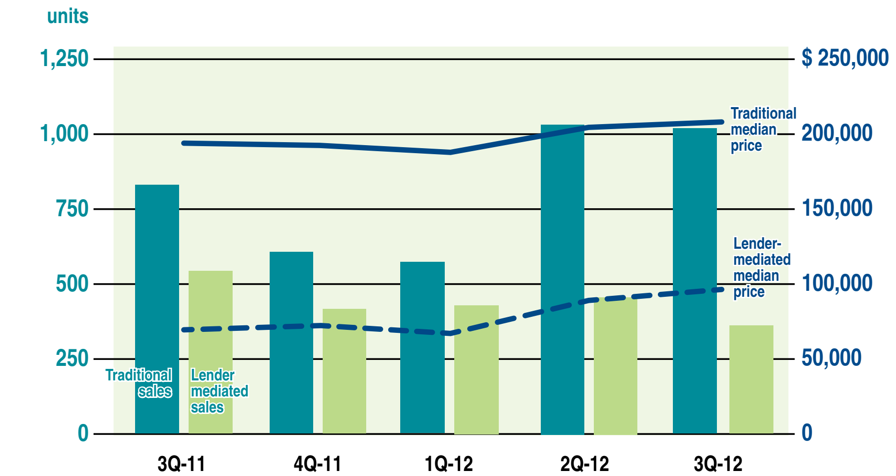
Residential sales

Overall housing sales slowed down by about 3 percent. However, this quarter, traditional sales continued to make gains, while lender-mediated sales decreased about 16 percent. Average prices in the quarter increased slightly, for both traditional and lender-mediated sales. The median price of traditional sales in Minneapolis ($214,000) is similar to that of the region ($215,000).

Over a twelve-month period, the number of traditional housing sales increased by about 40 percent, while lender-mediated sales decreased by nearly 23 percent, reflecting the decreasing number of distressed properties in the market.

Median sale prices increased for traditional as well as for lender-mediated sales: 10 percent for traditional sales and 38 percent for lender-mediated sales. This quarter lender-mediated sales including foreclosures were 28 percent of all housing sales in the city, while they accounted for 40 percent in third quarter last year. Consider also that at the beginning of 2009 lender-mediated sales represented more than 60 percent of the total housing sales in Minneapolis. As lender-mediated sales continue to decline, median sale prices will tend to improve.

Figure 18: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE**– Minneapolis



	3Q-11	4Q-11	1Q-12	2Q12	3Q-12
Traditional sales	771	606	523	1,020	1,053
Lender-mediated sales	517	424	452	474	400
Traditional sales median price	$194,000	$190,500	$ 184,900	$ 211,500	$ 214,000
Lender-mediated median price	$ 72,500	$ 82,500	$ 72,850	$ 94,000	$ 99,900

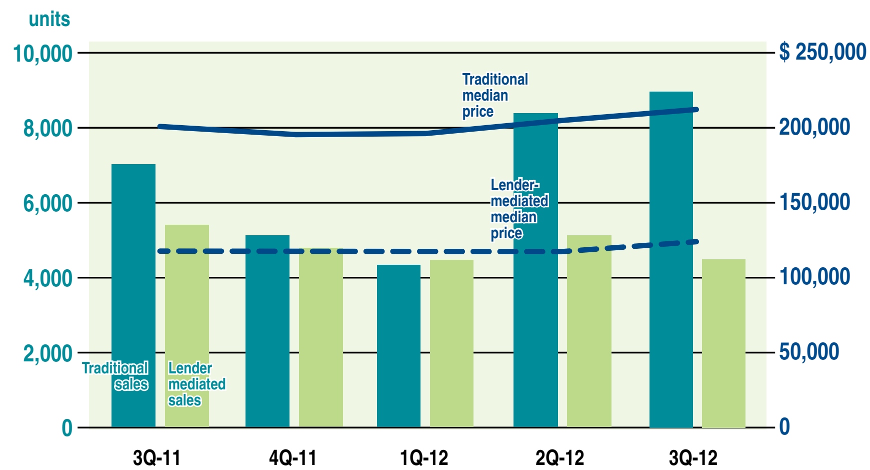
Source: Minneapolis Area Association of Realtors (MAAR)

Residential sales

In the metro area sales barely grew from the previous quarter due to a 9 percent decrease in lender-mediated sales. However, the number of traditional sales increased nearly 6 percent, and 37 percent from the same quarter last year. The median price increase for traditional sales was moderate, about 4 percent. In comparison with the same quarter the previous year, the total number of sales was up. Traditional sales increased about 37 percent, similar to the city, but lender-mediated sales actually declined by about 12 percent. Prices for both categories increased.

The Case-Shiller home price index (not seasonally adjusted) indicated that prices in the Twin Cities have been steadily rising since March of this year. In August (the last available figure) home prices in the area were 7.4 percent higher than in August 2011, but 1.4 percent lower than in August 2010. This difference shows that there is still some time needed until prices recover fully. The volume of homes for sale in the market has been decreasing, together with the time it takes to sell them. According to the Minneapolis Area Association of Realtors (MAAR) the inventory of homes for sale in the Twin Cities area in the third quarter was about 16,400 on average, a decrease of 30.2 percent over third quarter 2011. This represented approximately 4.1 months of supply on average in comparison with 7.1 months in third quarter 2011.

Figure 19: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE** – Metro area*



	3Q-11	4Q-11	1Q-11	2Q-12	3Q-12
Traditional sales	6,574	5,302	4,254	8,506	8,998
Lender-mediated sales	5,493	4,971	4,821	5,325	4,843
Traditional sales median price	$ 200,000	$ 192,000	$ 190,000	$ 206,333	$ 215,000
Lender-mediated median price	$ 115,000	$ 114,000	$ 110,000	$ 123,000	$ 125,000

Source: Minneapolis Area Association of Realtors (MAAR)

* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors.

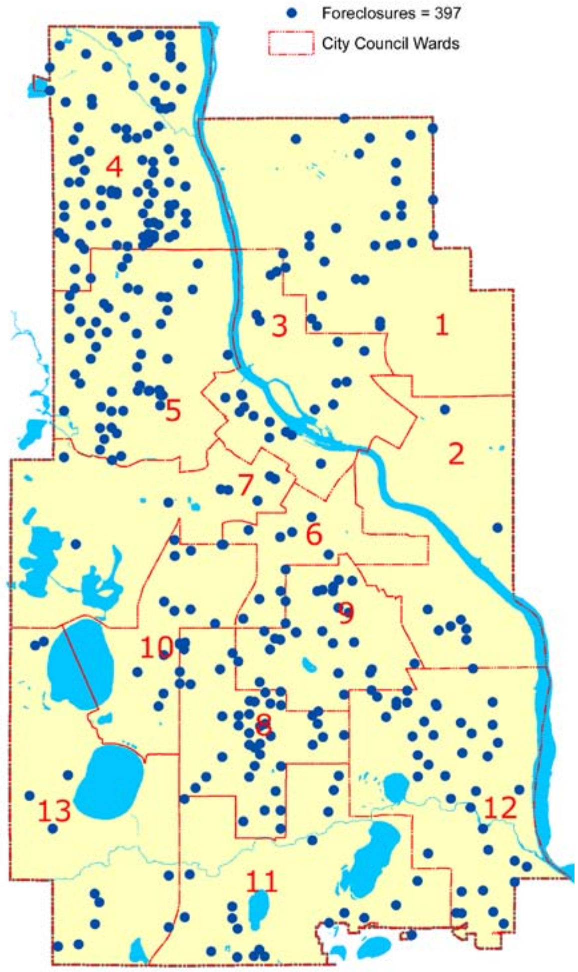
For metro area definition, see page 43

Foreclosures

This quarter 397 properties were sold at public auction, 2 percent fewer than the previous quarter, but 1 percent higher than third quarter 2011. Ward 4, 5, 8, and 12 accounted for more than 60 percent of total foreclosures in the city, with Ward 4 accounting for more than 20 percent of the total.

MAP 5: PROPERTIES FORECLOSED – 3Q-12
by wards

Source: Hennepin County



Data on foreclosures downloaded as of June 2012. The table and map do not take into account foreclosures recorded after the data was compiled, nor any properties later redeemed by the owner in the 6 month redemption period.

Table 8: **FORECLOSURE PROPERTIES –** Minneapolis
by ward

Ward	3Q-11 Number	3Q-11 Percent	4Q-11 Number	4Q-11 Percent	1Q-12 Number	1Q-12 Percent	2Q-12 Number	2Q-12 Percent	3Q-12 Number	3Q-12 Percent
1	37	9%	31	8%	18	5%	37	9%	31	8%
2	4	1%	3	1%	8	2%	5	1%	9	2%
3	26	7%	27	7%	39	12%	30	7%	26	7%
4	82	21%	80	19%	56	17%	83	20%	91	24%
5	48	12%	46	11%	38	11%	42	10%	62	16%
6	21	5%	22	5%	22	6%	18	4%	10	3%
7	21	5%	17	4%	12	4%	34	8%	9	2%
8	37	9%	37	9%	37	11%	38	9%	42	11%
9	38	10%	44	11%	41	12%	31	8%	26	7%
10	11	3%	23	6%	13	4%	11	3%	16	4%
11	21	5%	29	7%	15	4%	22	5%	21	6%
12	32	8%	36	9%	31	9%	34	8%	42	11%
13	15	4%	17	4%	9	3%	20	5%	12	3%
Total	**393**	**100%**	**412**	**100%**	**339**	**100%**	**405**	**100%**	**397**	**100%**

Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings, please see the Hennepin County Sheriff's website at http://www4.co.hennepin.mn.us/webforeclosure/.

Foreclosures

After peaking at 870 in the second quarter 2008, foreclosures this quarter were lower than the levels of the third quarter of 2006, after foreclosures had begun to increase at the beginning of the housing crisis.

Figure 20: **RESIDENTIAL FORECLOSURES –** Minneapolis
in units

Source: Hennepin County

Data for 2008 have been revised.

Condemned & vacant buildings

The total number of condemned, boarded and vacant buildings in the city decreased by 6.5 percent from second quarter, and was 7 percent lower than at the end of third quarter last year. The number of condemned buildings dropped by 10 percent compared to third quarter last year, while the number of vacant but not condemned buildings decreased 4.5 percent. Condemned buildings have been decreasing more or less steadily since third quarter 2008. Many of the buildings have already been demolished due to an aggressive city policy to remove blighted buildings, while saving as many as possible for rehab. As shown on the map, the largest concentration of these buildings is in North Minneapolis, a target area for improvements and upgrading, as well as the site of last year's tornado.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of September 2012

Source: Minneapolis Regulatory Services

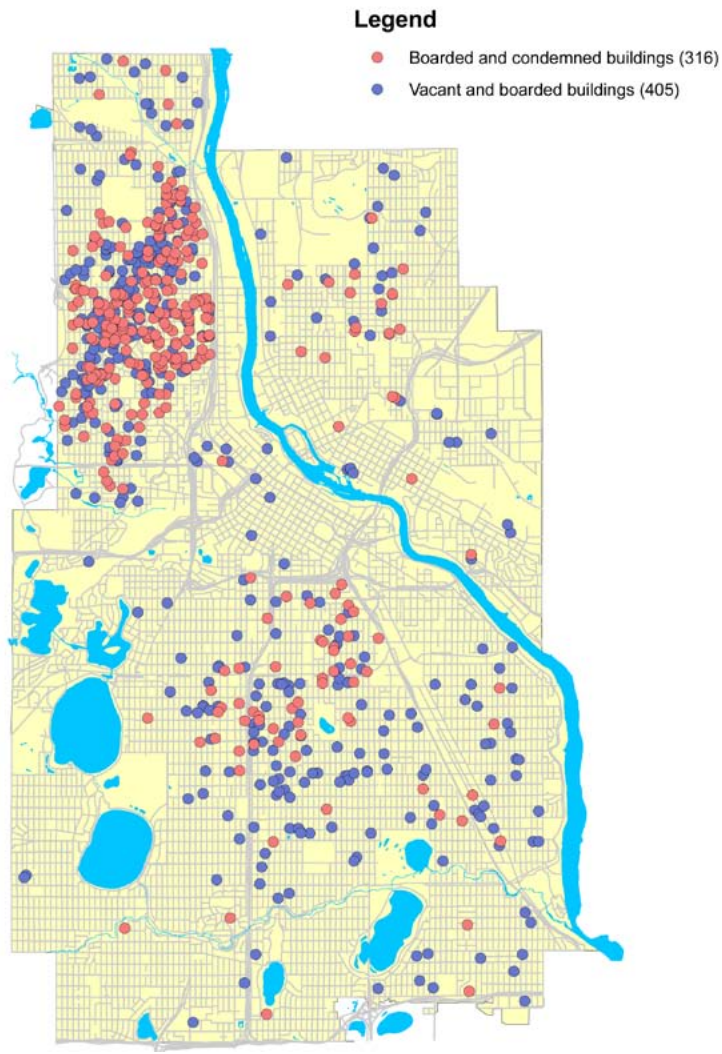


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis as of the end of quarter

	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Boarded and condemned buildings	352	362	350	329	316
Vacant but not condemned	424	464	457	442	405
Total	776	826	807	771	721

Source: Minneapolis Regulatory Services

Note: About 98 percent of the buildings in the table are residential.

Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

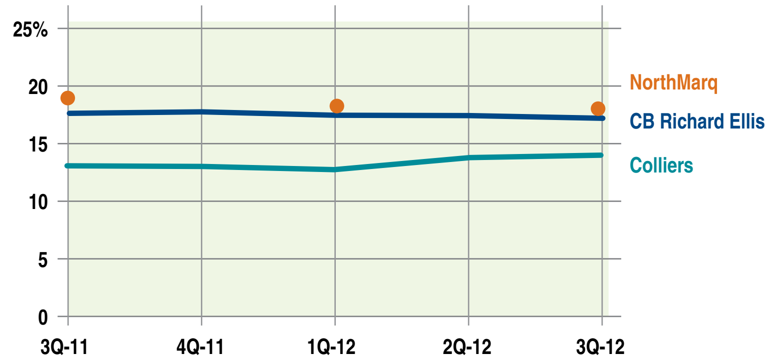
Office space

The office vacancy rate hovered between 14.6 percent and 17 percent according to real estate firms. When subleases are counted, the total vacancy rate ranged between 17.3 percent and 19.1 percent. Because of lack of construction, supply was low due to steadily growing demand. Pressure was high in Class A space, but there were still large blocks of vacant space in Class B and C properties.

The average direct vacancy rate in the metro area fluctuated between 16.5 percent and 18.6 percent, according to real estate firms. Adding sub-leases brings the total vacancy rate up to between 18.4 to 20 percent.

Like the Minneapolis CBD, demand in the office real estate market in the Twin Cities tended to prefer Class A properties, which were already experiencing a very short supply.

Figure 21: **OFFICE SPACE VACANCY RATE** – Minneapolis CBD
in percent

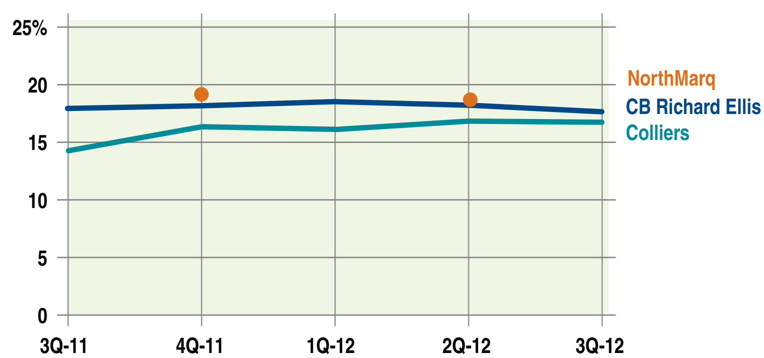


	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
CB Richard Ellis	16.9%	17.0%	16.7%	16.6%	16.2%
Colliers	13.2%	13.1%	12.9%	14.5%	14.6%
NorthMarq	18.9%		17.0%		17.0%

Sources: CB Richard Ellis, Colliers and NorthMarq

See explanation of sources on page 44

Figure 22: **OFFICE SPACE VACANCY RATE** – Metro area
in percent



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
CB Richard Ellis	18.0%	18.3%	19.0%	18.2%	17.6%
Colliers	14.8%	16.0%	15.9%	16.5%	16.5%
NorthMarq		19.2%		18.6%	

Sources: CB Richard Ellis, Colliers and NorthMarq

See explanation of sources on page 44

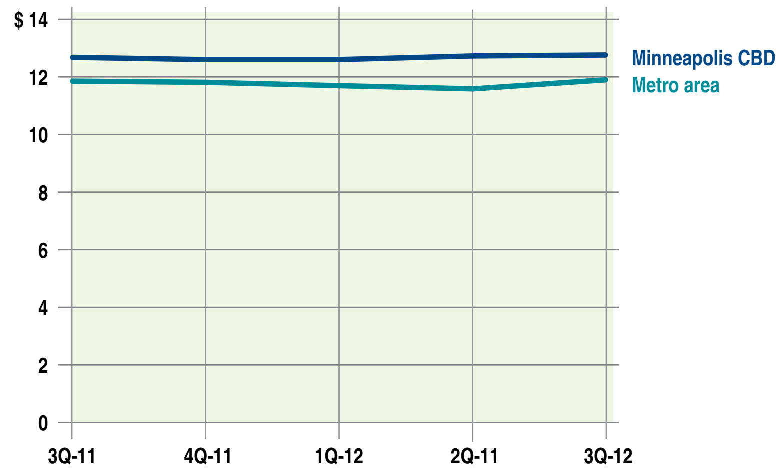
Office space

The average asking lease rate per square foot in the Minneapolis central business district (CBD) was essentially flat this quarter, and it was higher than third quarter last year. In the metro area landlords asked 5 percent more rent per square foot than last quarter and 1 percent more than in third quarter last year. Increasing demand this quarter supported landlord ability to ask for higher prices.

Between the second and third quarter Downtown Minneapolis increased occupied office space by about 47,000 square feet. Target Corporation business clients increased demand near Target headquarters, and RJM Construction was moving its headquarters in St. Louis Park to the Minneapolis Warehouse District. However, many firms moved to other buildings within Downtown. Some of them reduced their space requirements while looking for better quarters in Class A buildings.

The metro area also posted increasing occupied office space growth, but lower than last quarter. Many tenants in the metro were looking for Class A properties and renewing existing space. Most activity took place along the 494 Corridor and Downtown Minneapolis.

Figure 23: **OFFICE AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year

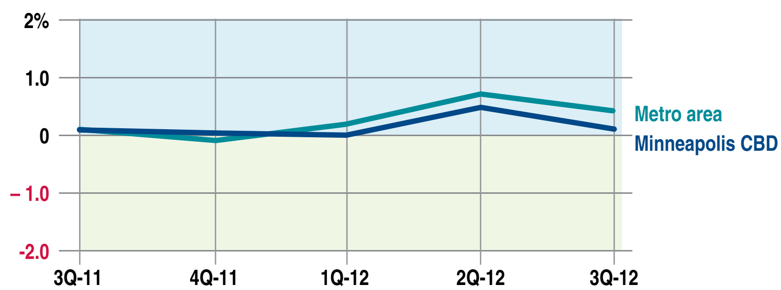


	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis CBD	$ 12.43	$ 12.39	$ 12.43	$ 12.51	$ 12.52
Metro area	$ 11.96	$ 11.83	$ 11.77	$ 11.47	$ 12.08

Source: CB Richard Ellis

Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Figure 24: **OCCUPIED OFFICE SPACE** – rate of growth
in percent



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis CBD	0.4%	0.0%	0.1%	0.6%	0.2%
Metro area	0.4%	-0.1%	0.4%	0.8%	0.6%

Source: CB Richard Ellis

Class A, B and C multi-tenant office buildings 30,000 square feet and larger

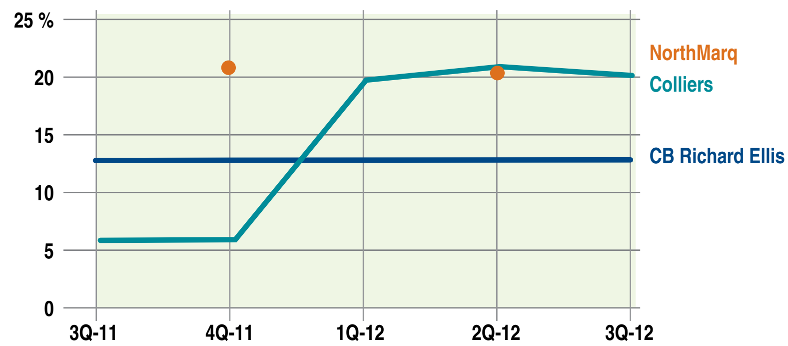
Retail space

The retail vacancy rate in the Minneapolis CBD fluctuated between 13.3 and 21.7 percent. Large tracks of vacant space became available in Block E since the beginning of the year. About 70 percent of Block E remained vacant.

Note that large variations in the vacancy rate result from the relatively small amount of square feet of retail in the CBD, as well as differences in how the measurements are done.

The metro area vacancy rate this quarter ranged from 6.4 percent to 8.9 percent, with a tendency to decrease from last quarter for two of the real estate firms quoted. The higher vacancy rate in the first half of the year (Northmarq) shows the effect of the closing of Bloomingdale's at MOA, and the fact that other retailers such as Best Buy were reducing their leased space. But the lower vacancy in the third quarter reflects increasing numbers of small to medium size businesses moving into vacant space.

Figure 25: **RETAIL VACANCY RATE** – Minneapolis CBD
in percent

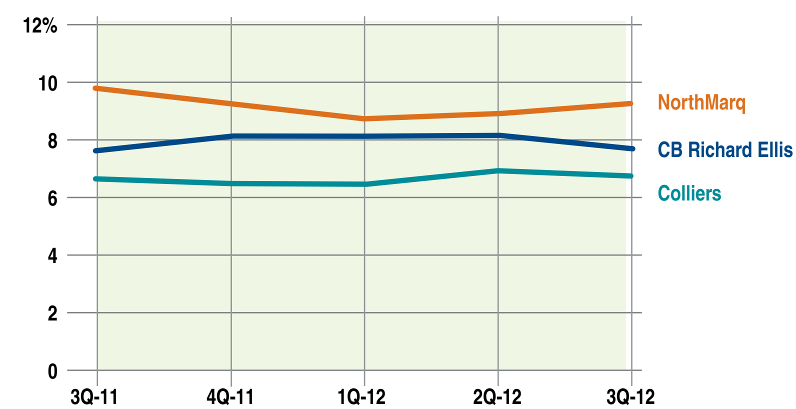


	3Q-12	4Q-11	1Q-12	2Q-12	3Q-12
CB Richard Ellis	13.3%	13.3%	13.3%	13.3%	13.3%
Colliers	6.5%	6.6%	20.3%	24.4%	21.3%
NorthMarq		23.9%		21.7%	

Sources CB Richard Ellis and NorthMarq

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Figure 26: **RETAIL VACANCY RATE** – Metro area
in percent



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
CB Richard Ellis	7.7%	8.1%	8.1%	8.1%	7.8%
Colliers	6.5%	6.2%	6.2%	7.0%	6.4%
Northmarq	9.9%		8.4%		8.9%

Sources: CB Richard Ellis, Colliers and NorthMarq

CB Richard Ellis and Colliers include all multi-tenant retail buildings 30,000 square feet and larger, and buildings under construction.

Retail space

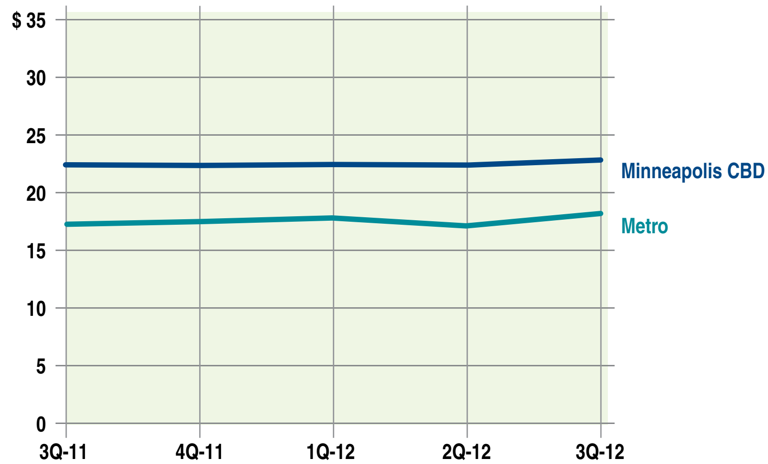
Average asking lease price per square foot increased in Minneapolis central business district (CBD) since last quarter and the third quarter last year by 2%, a sign of increasing expectations, after asking prices have been flat for the last four quarters.

In the metro area, average asking lease price increased 12 percent from second quarter, and 11 percent from third quarter last year. Asking prices in the Minneapolis CBD were more than 25 percent higher than those of the region.

Occupied retail space in the Minneapolis central business district (CBD) was unchanged. No additional new retail space has been added in the CBD since at least 2003, and vacant space is being slowly absorbed.

In the metro area occupied retail space decreased from second quarter but increased from third quarter last year. Small and medium size businesses such as hardware stores, liquor stores and restaurants were expanding faster than others were closing. Some nationwide restaurant chains, such as Dickey's, were expanding in the Twin Cities.

Figure 27: **RETAIL AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year

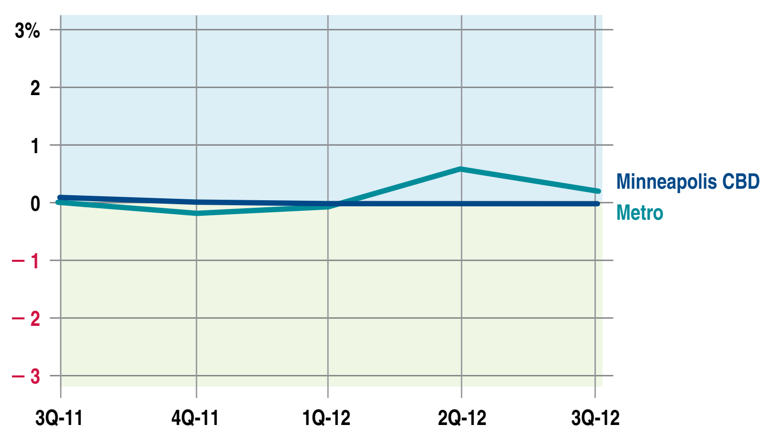


	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis CBD	$ 22.09	$ 22.09	$ 22.09	$ 22.09	$ 22.53
Metro area	$ 16.10	$ 16.88	$ 16.91	$ 15.99	$ 17.87

Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Figure 28: **OCCUPIED RETAIL SPACE** – rate of growth
in percent



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis CBD	0.2%	0.0%	0.0%	0.0%	0.0%
Metro area	0.0%	-0.4%	0.0%	0.7%	0.3%

Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

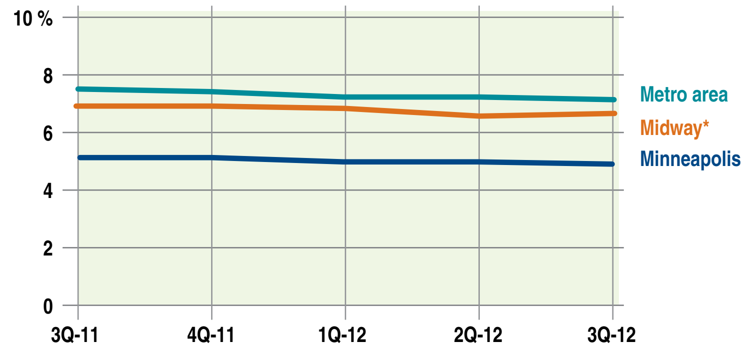
Industrial space

The industrial space direct vacancy rate (not including sublease space) declined in the Minneapolis and metro industrial areas, but increased in Midway. The vacancy rates were down from third quarter the previous year for all three areas.

The average asking lease price for industrial space rose in all geographies, from the previous quarter and the previous year.

Demand continued to be high for warehouses with good location and certain specifications such as high ceilings, which were in such a short supply that investors were beginning to construct new facilities. Because of a shortage of modern distribution centers and manufacturing facilities, old industrial space was being put to use again.

Figure 29: **INDUSTRIAL VACANCY RATE**
in percent



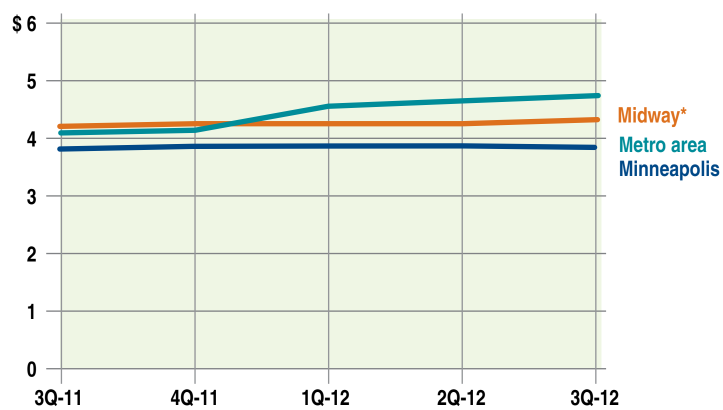
	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis	5.3%	5.3%	5.1%	5.1%	5.0%
Midway*	6.8%	6.7%	6.4%	6.6%	6.7%
Metro area	7.5%	7.4%	7.1%	7.2%	7.0%

Source: CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

*Midway industrial area includes parts of Northeast Minneapolis and Saint Paul.

Figure 30: **INDUSTRIAL AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis	$ 3.93	$ 3.96	$ 3.96	$ 3.96	$ 3.98
Midway*	$ 4.08	$ 4.10	$ 4.09	$ 4.10	$ 4.12
Metro area	$ 4.03	$ 4.08	$ 4.54	$ 4.59	$ 4.61

Source: CB Richard Ellis

Note: For Midway and Minneapolis, the industrial average asking lease rate is only for warehousing

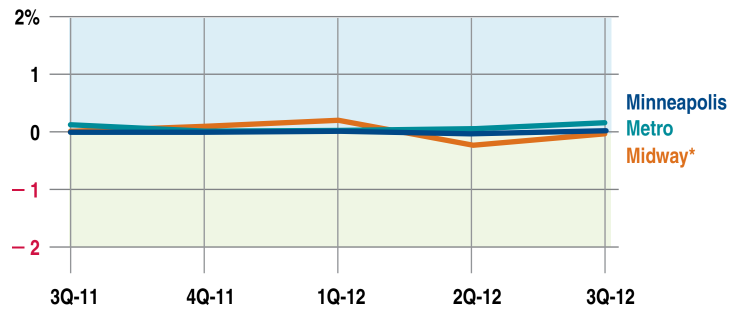
Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

*Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space grew in the Minneapolis and metro industrial areas, but decreased in Midway, where the vacancy rate also rose. Industrial activity, especially manufacturing and distribution centers, expanded steadily in the last three years fueled by exports, which in turn increased demand for industrial space. However and due to a slowdown in foreign markets, this quarter new orders in Minnesota decreased but inventories were still high. As a result, manufacturing production fell down and employment followed in September, according to the Institute of Supply Management and Creighton University. On the other hand, manufacturing activity was high nationwide.

Figure 31: **OCCUPIED INDUSTRIAL SPACE** – rate of growth
in percent



	3Q-11	4Q-11	1Q-12	2Q-12	3Q-12
Minneapolis	0.0%	0.0%	0.2%	0.0%	0.1%
Midway*	0.0%	0.1%	0.3%	-0.3%	0.0%
Metro area	0.2%	0.0%	0.1%	0.2%	0.3%

Source: CB Richard Ellis

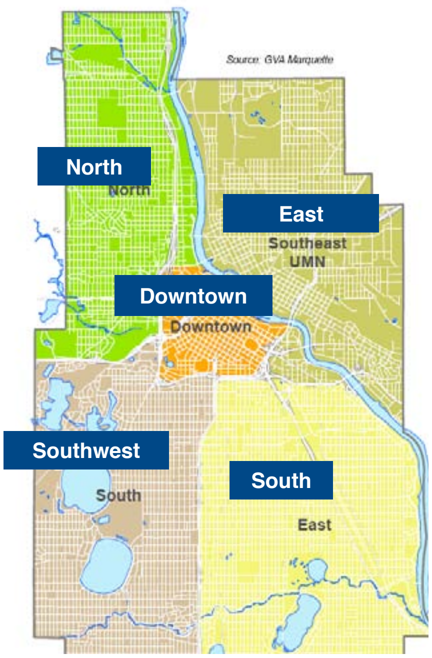
Includes all competitive industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

*Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Definitions & sources

- **Housing Vacancy Rate:** The vacancy rate is the percentage of unoccupied housing units among the total number of housing units. Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area.

- **City areas:** : For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas, according to the map below.
  Note that we changed the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is East. North remains North.



- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).

- **Closed home sales:** These values are based on home sales reported by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end. MAAR makes a difference between **traditional sales** and **lender-mediated sales**. The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.

- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).

- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure Sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold at public option in the specified time period.

- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.

Definitions & sources

Real estate statistics as reported by CB Richard Ellis (www.cbre.com) include office, retail and industrial space vacancy rates, average asking lease price per square foot and absorption of square feet for the Twin Cities metropolitan area, Minneapolis and Midway (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. This quarter Minneapolis Trends also shows office and retail vacancy rates reported by Colliers (www.colliers.com/en-US/MinneapolisStPaul/Insights), and Cushman & Wakefield-NorthMarq (www. northmarqcompass.com/)

- **Average asking lease rate:** This is determined by multiplying the asking net lease rate for each building by its available space, adding the products, then dividing by the sum of all available space.
- **Average vacancy rate:** This is determined by dividing the number of vacant square feet by the net rentable area.
- **Rate of growth and absorption:** This is the change in occupied square feet from one quarter to the next, determined by subtracting vacant space (not including sublets and shadow space) from the rentable space available.

Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

Inflation-adjusted figures: For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category size "class A" (more than 1.5 million people). For the third quarter 2012, dollars have been converted with an index of 1.0097567, the result of the relation between the CPI for September 2012 (204.607) and the CPI for September 2011 (202.630). For the period from third quarter 2012 to second quarter 2012, the index is 1.005297, obtained by dividing 204.607 (September) by 203.529 (June).

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